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# China Report

ECONOMIC AFFAIRS

No. 349



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# CHINA REPORT

## ECONOMIC AFFAIRS

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### CONTENTS

#### PEOPLE'S REPUBLIC OF CHINA

##### NATIONAL POLICY AND ISSUES

- Rational Labor Quotas Seen as Foundation of Economic  
Responsibility System  
(Ren Zhongxian; ZHEJIANG RIBAO, 23 Mar 83) ..... 1

##### ECONOMIC PLANNING

- Shanghai Economic Zone, Zhejiang's Economic Development  
Strategy Discussed  
(Yan Yousen; ZHEJIANG RIBAO, 28 Mar 83) ..... 3

##### ECONOMIC MANAGEMENT

- Definition, Content of Economic Results Summarized  
(Wu Xiangjun; XINHUA RIBAO, 5 Apr 83) ..... 8
- Responsibility Systems Urged for Key Projects  
(Beijing Domestic Service, 28 May 83) ..... 11
- Conference on Enterprise Management Reform Held  
(DAZHONG RIBAO, 4 Feb 83) ..... 12
- Replace Turning Over Profits to the State With Paying Taxes  
(Lu Fashun; JINGJI RIBAO, 15 Feb 83) ..... 14
- Population, Economic Development Strategy Relationship Discussed  
(Xiao Heng; NINGXIA RIBAO, 10 Feb 83) ..... 16

## FINANCE AND BANKING

Switch-to-Taxation Preparations Well Advanced (Beijing Domestic Service, 25 May 83) .....	20
Relation of Currency Stability to Development of Economy Viewed (Editorial; JINGJI RIBAO, 5 Apr 83) .....	21
Construction Bank Loans Revitalize 24 Enterprises (Liu Shihua; LIAONING RIBAO, 19 Feb 83) .....	23

## MINERAL RESOURCES

In Policy Switch, Oceanologists Propose Ambitious Ocean Exploitation Plan (XINHUA, 8 May 83) .....	24
Local Opposition Delays Building of Key Coal Mine (Hunan Provincial Service, 1 May 83) .....	26
Briefs Shandong Gold Output .....	27

## INDUSTRY

Energy-Saving Equipment To Be Mass-Produced (XINHUA, 28 May 83) .....	28
--	----

## DOMESTIC TRADE

'RENMIN RIBAO' Urges More, Better Consumer Goods (XINHUA, 18 May 83) .....	29
Supply of Consumer Goods Higher Than Ever (Beijing Domestic Service, 25 May 83) .....	31
Reform of Price System Discussed (Jiao Wei; CAIMAO JINCJI, 11 Mar 83) .....	32
Plans for Economic Coordination in Shanghai Region Outlined (Wang Daohan; JINGJI RIBAO, 24 Feb 83) .....	40
Measures To Protect Consumer's Interest Enacted (Hu Sujuan; JIEFANG RIBAO, 21 Feb 83) .....	43
System of Responsibility for Economic Results Reviewed (Wei Aiqun, Guo Weihong; HEBEI RIBAO, 8 Feb 83) .....	46
Briefs Hainan County Nationality Commodities .....	48



## FOREIGN TRADE

Vice Mayor Luo Changren Discusses Adjudication of Trade Disputes in SEZ (SHENZHEN TEQUBAO, 2 May 83) .....	49
Notice Issued on Dealing Blows to Smuggling Activities (Chen Bizhen; FUJIAN RIBAO, 2 Apr 83) .....	51
Foreign Loans Finance Offshore Oil Prospecting (XINHUA, 27 May 83).....	52
Briefs Offshore Drilling Results	53

## LABOR AND WAGES

Volunteers Flock to Xinjiang's Karamay Oilfield (XINHUA, 19 Apr 83) .....	54
--	----

## GENERAL

Poor Packaging Causes Economic Losses (CHINA DAILY, 17 May 83) .....	55
---	----

## HONG KONG MEDIA ON CHINA

Shenzhen To Relax Border Customs Checks (HONG KONG STANDARD, 26 May 83) .....	57
Zhejiang Requests Hong Kong Trade Office (Olivia Sin; SOUTH CHINA MORNING POST, 30 May 83) .....	58
Bank of China Wants Stable Hong Kong Dollar (TA KUNG PAO, 26 May 83) .....	60
Bank of China Chief Warns on Dollar (Victor Su; SOUTH CHINA MORNING POST, 27 May 83) .....	61
Symposium on Pricing in Special Economic Zones Held (Li Kehua; WEN WEI PO, various dates) .....	63
Shandong Actively Seeks Foreign Investment (WEN WEI PO, 25 Mar 83) .....	70

## TAIWAN

Briefs Industrial Export Value Declines	71
Agricultural Pact With Uruguay	71
Saudi Loan for Subway	71

## NATIONAL POLICY AND ISSUES

### RATIONAL LABOR QUOTAS SEEN AS FOUNDATION OF ECONOMIC RESPONSIBILITY SYSTEM

Hangzhou ZHEJIANG RIBAO in Chinese 23 Mar 83 p 2

[Article by Ren Zhongxian [0117 0112 6343]: "Rational Labor Quotas Are the Foundation for the Economic Responsibility System"]

[Text] If enterprises are to increase their economic results, they must do a good job of running the economic responsibility system. And, in order to do a good job of running the economic responsibility system, they must get a good grasp on management work in regard to labor quotas. A so-called labor quota means, under fixed conditions of production technology and organization of production, full utilization of the implements of labor, rational organization of labor and use of advanced experiences of operation to produce definite products and to accomplish the amount of labor that must be consumed for a fixed amount of work. Expressed in terms of man-hours, it is called a man-hour quota. Expressed in terms of output, it is called an output quota. The form of management-set quotas can also be used for labor quotas. In the management of a socialist enterprise, correct formulation and implementation of labor quotas makes it possible for us to realize the principle of distribution according to work and to handle the relationship between the state, enterprises and workers correctly and also plays varied and important roles in promoting the development of business production and increasing economic results.

Labor quotas are involved in the personal interests of each worker. They stipulate the amount of labor consumption for completing each work assignment. On the basis of correct labor quotas, an enterprise can make a rational allocation of the labor force and can formulate correct plans for organizing mobilizations that it can create the conditions for establishing normal production and sequences of work. It also creates good conditions for carrying out economic accounting. If there are no quotas, there are no standards and there is no way to calculate productive capacity. If there are rational labor quotas, then it is possible to calculate the productive capacity of an enterprise and to develop the economic accounting work of an enterprise on the basis of the state of completion of production based on the labor quotas. Labor quotas are the concrete objectives of the staff and workers of an enterprise for fulfillment of production assignments. The more the workers labor, the more they can obtain. In this way, the initiative and creativity of

the staff and workers can be brought more fully into play, efforts can be made to exploit the latent capacity of the enterprise and man-hour consumption can be saved so that even more products meeting social demands can be produced with as small an amount of labor consumption as possible. When labor efficiency has been raised and production has been expanded, national income increases and the interests of enterprises and their workers can come more into correspondence with each other. In this way, it is possible to deal correctly with the relationships among the state, enterprises and workers.

Labor quotas are the production targets that workers should complete in the course of production. For this reason, setting of labor quotas that are too high or too low is not beneficial to bringing the initiative of the workers fully into play. If quotas are too high, the workers will not be able to meet the quotas even by active efforts or only a small number of people will be able to meet the quotas. This will dampen the enthusiasm of the masses. If quotas are too low, quotas can be overfulfilled easily without having to make an effort. This results in quotas failing to fulfill their function. For this reason, enterprises must set both advanced and rational, average advanced labor quotas.

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## ECONOMIC PLANNING

### SHANGHAI ECONOMIC ZONE, ZHEJIANG'S ECONOMIC DEVELOPMENT STRATEGY DISCUSSED

Hangzhou ZHEJIANG RIBAO in Chinese 28 Mar 83 p 4

[Article by Yan Yousen [7346 0147 2773]: "A Discussion of the Shanghai Economic Zone and the Economic Strategy of Our Province"]

[Text] The decision by the State Council to establish the Yangtze Delta Economic Zone with Shanghai as its center (hereafter referred to as the Shanghai Economic Zone) and to form a rational economic zone and economic network within a specially designated scope was an important policy decision for restructuring of the economic management system. Working on the basis of this policy decision will be major strategic significance in breaking up regional divisions, bringing the role of central cities into play, effectively developing and distributing natural resources, selecting optimum economic structures and expanding the economy with the highest speed and with the greatest beneficial results.

#### The Relationship Between the Five Cities of Our Province and the Shanghai Economic Zone

Zhejiang and Shanghai are linked by land and water and are closely related and mutually dependent. The northern and eastern zones of Zhejiang in particular have countless ties with Shanghai. Large quantities of secondary agricultural and local products of Zhejiang such as fish, rice, silk, tea, melons, bamboo, sand, rocks, bricks and tiles are supplied to Shanghai and many traditional products for foreign trade also pass through the port of Shanghai for export. Shanghai ships technology, equipment, articles of daily use and such industrial products as metal machines and tools into Zhejiang, plus large quantities of other goods that are shipped into Zhejiang are also transferred via Shanghai. Since the Third Plenary Session of the Eleventh Central Committee in particular, the economic relations between Zhejiang and Shanghai have undergone further expansion, with loosely organized economic joint entities in a wide variety of forms appearing, including technical cooperation, joint attack on key problems, processing of materials, compensatory trade, joint management of industry and trade and joint capital partnership financing. They have had a positive effect on stimulating economic development between Zhejiang and Shanghai.

The five cities of our province of Hangzhou, Jiaxing, Huzhou, Ningbo and Shaoxing together with the 26 counties surrounding them have been included in the Shanghai Economic Zone. The area of cultivated land in this region amount to 59 percent of the total area of the province, the total value of industrial and agricultural production amount to 70 percent of that of the province as a whole and the financial income amounts to over 80 percent of that of the province as a whole. Because most of Zhejiang's economy is incorporated into the Shanghai Economic Zone, selection of a strategy of development for the Zhejiang economy cannot be made solely in isolated consideration from the standpoint of the province itself. Rather, it must be based on the overall strategy for development of the Shanghai Economic Zone. Thus, we must study the strategy for the development of the Zhejiang economy on the basis of the general principles of "integrated planning, preferential development, economic unity and no changes in organization systems."

#### Zhejiang's Strategic Position in the Shanghai Economic Zone

Although the level of its overall economy is lower than that of Shanghai and Jiangsu, within the Shanghai Economic Zone, Zhejiang does have a position and some superiorities which the other provinces and cities cannot supplant.

First, in agriculture, the cultivated land in the Hangzhou-Jiaxing-Tai Lake-Ningbo-Shaoxing area represents 43.7 percent of all cultivated land in the Shanghai Economic Zone. Within this area, in the Hangzhou-Jiaxing-Tai Lake area, per-capita cultivated land area averages 1.1 mu, for grain fields the average is 0.95 mu per person. Besides this, the area has a multi-level geographical structure consisting primarily of plains but also having mountains, rivers and lakes, cultivated fields, open land and the sea. The natural conditions are multifarious and plentiful, suitable for the comprehensive development of diversified crops. A high percentage of this is represented by the grain and other economic crops produced in the Tai Lake watershed. In 1981, grain production in the Hangzhou-Jiaxing-Tai Lake area represented 33.3 percent of total Tai Lake watershed output, silkworm cocoon production represented 77.2 percent, live hogs raised 31 percent, sheep on hand 59.4 percent, oil cereals 33.1 percent, hemp 95.6 percent, tobacco leaves 69 percent, freshwater fish 28.6 percent, and bamboo handicrafts was first in the nation producing about 20 million items per year.

Secondly, conditions for development of electric power are quite good, the potential hydroelectric resources being quite plentiful. At present, the installed hydroelectric capacity amounts to about 80 percent of that of the East China region. The as yet undeveloped hydroelectric resources would be capable of supplying more than 3 million kilowatts. The latent electric generating capacity of tides is even greater: it has been calculated that they could provide 8 million 250 thousand kilowatts. At the same time, there are excellent conditions for building large and medium-sized harbor electric power stations and for developing nuclear

power stations at such places as Beilungang at Ningbo. If the electric power resources of Zhejiang can be fully developed and utilized, an electricity generating capacity of close to 20 million kilowatts can be obtained. This would be a major way of solving the energy problems of Zhejiang and the Shanghai Economic Zone.

Third, harbor conditions are excellent. Ningbo harbor is one of our nation's historic ports of foreign trade. The old port region at present has thirteen 500 to 5000 ton class berths and one 10,000 ton class coal dock and one 3000 ton class berth have been built in the Zhenhai port region. Beilun harbor is one of our nation's few deep water ports. One 100,000 ton class ore transfer dock berth has been built there as well as many 25,000 tons berths and oil docks. In terms of harbor location and communication conditions, the coastline at the port of Ningbo is straight and long, there is a broad water area, the hinterland is open and the Zhoushan Archipelago serves as a protective screen. Railway, waterway and highway transport radiate in all directions. This provides vast prospects for the development of sea transport and foreign trade activities in the Shanghai Economic Zone.

Fourth, Zhejiang silk has a long history and Zhejiang is commonly known as the "home of silk." The five cities that have been incorporated into the Shanghai Economic Zone have historically been the chief silk producing regions and foreign trade export bases in the province. Silkworm cocoon output is one-fourth that of the nation as a whole, silk output is 27.4% of the total national output and silk and satin output is 21 percent of the total national output. The quality of the natural silk is among the best in the nation. The products are shipped for sale in the international market and the total value of foreign trade purchases each year is 300 to 400 million yuan. At the same time, the major silk cloth enterprises of our province are concentrated in this region. In addition, specialized schools and scientific research facilities concerned with silkworms, mulberry trees and silk cloth have been established and a specialized system ranging from production to scientific research, education and circulation has been formed. This will provide a very great potential for further development of the silk industry.

Fifth, there are abundant tourism resources. Hangzhou and Shaoxing are counted among our nation's historically famous cities. West Lake in Hangzhou is famous throughout the world. In addition to the scenic tourist spots that have already been developed in Shaoxing and Ningbo, there are many other places of historic interest and scenic beauty that can be developed and utilized. If we simply increase our investment somewhat in communications and facilities and raise the level of management and the quality of service, we can expect to reach the level of the tourist industries of Switzerland and Thailand.



## On the Concept of the "Multiangular Outwards" Strategic Model

On the basis of the position and superiority of Zhejiang in the Shanghai Economic Zone, the strategic model for economic development of our province should be a "multiangular outward type." At present, the proportion of foreign trade in the value of industrial and agricultural production in this province amounts to 10 percent. Sales outside the province amount to 30 percent and sales within the province amount to 60 percent. The overall direction of future development should be toward energetic promotion of social division of labor, increasing the ratio of foreign trade commodities and concentrate on producing superior local products and exchanging them on foreign and domestic markets for goods that are in short supply in this region. The industrial structure should be adjusted so that our province can gradually be built into a base for agricultural products, an energy base, a harbor and foreign trade base, a processing industry base and a tourism center of the Shanghai Economic Zone.

How should we set out in the work of developing toward a "multiangular outward type?" We believe that we should start with planning and with investigation and research and that we should begin work in the following spheres.

First, we should bring Ningbo harbor fully into play as a subsidiary of the port of Shanghai. Ningbo harbor comprises the three harbor regions of Beilun, Zhenhai and Ningbo Old Harbor. At present, there are 20 berths with a handling capacity of 26.7 million tons. However, the current utilization ratio is only 13 percent and Beilun harbor has not been brought into play. At present, there is a large turnover of goods at the port of Shanghai that has put pressure on the port, whereas Ningbo harbor is idle. For this reason, and on the basis of the principles of local-nearby use and economic rationality, the large volume of import and export goods that are transferred in the port of Shanghai could in part be transferred at Ningbo harbor in order to relieve the pressure on the port of Shanghai and increase its economic results.

Second, in the sphere of industry, after conditions have ripened, we should move gradually from the present loose alliances toward establishing specialized companies and realize "making internal alliances and pressing toward the outside," actively pushing products onto the international market. Within the economic zone, we believe that whoever is the "boss" should first put the stress on economic results and should give comprehensive consideration to such diverse matters as raw material production areas, quantity of products, transport conditions and historical conditions. Wherever the superiority is, there the "boss" should build mass production joint entities on the basis of the principles of specialization and cooperation. For example, silk and tea are traditional produce of Zhejiang and occupy an important position in the nation as a whole. Thus, alliances can be made with Zhejiang as the main force, with the "boss" being set up in Zhejiang. In this way, we can both bring the superiority of Zhejiang into play and also bring the superiority of the Shanghai Economic Zone into play.

Third, in the sphere of foreign trade, we should put the emphasis on the major production areas of traditional famous brand products and utilize the superior conditions of the Shanghai coast for engaging in foreign trade to engage in joint industry and trade ventures, with benefits being equally distributed and with efforts being directed to the outside. At the same time, we can engage in cooperative joint ventures in such areas as processing of goods brought in and imported from abroad and export of labor services. We can bring in raw material from Shanghai and ship out products. We can also take responsibility of technical outfitting and utilize the rich labor force resources and processing capacity of our province to undertake joint responsibility for the task of processing for foreign markets.

Fourth, organization of scientific and technical cooperation, making joint attacks on key problems and exchanging economic intelligence and information. Active development have been made in this sphere in the Ningbo, Jiaxing and Shaoxing regions, with good results having been obtained. In order to do an even better job of this work, technical cooperation and advisory organs and economic information networks should be set up within the sphere of the economic zone in order to strengthen the exchange of domestic and foreign market estimates and of economic and technical information.

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## ECONOMIC MANAGEMENT

### DEFINITION, CONTENT OF ECONOMIC RESULTS SUMMARIZED

Nanjing XINHUA RIBAO in Chinese 5 Apr 83 p 4

/Article by Wu Xiangjun /0702 4382 6874/: "A Cat Must Know How To Catch Mice"

/Text/ No one could disagree with the title of this short article! If a cat does not know how to catch mice, why should it be fed? By the same token, if an enterprise does not have any economic result, what is the interest in running it? Let's first talk about the following:

#### Meaning of Improving Economic Result of Enterprises

The strategic objective of China's economic development by the end of this century put forward by the 12th CPC National Congress is: "steadily working for more and better economic results, to quadruple the gross annual value of industrial and agricultural production...." From this we can see that working for more and better economic results is an inseparable part of the strategic objective as well as the prerequisite of its realization. If we depart from the prerequisite of "steadily working for more and better economic results," and concentrate on "quadrupling the gross annual value of industrial and agricultural production" alone, then our economic development will most likely return to the old way of high accumulation, low consumption, high speed and poor result.

The national economic result is the sum of economic results of thousands of enterprises. Concretely speaking, there are at least four distinct ways for enterprises to improve their economic results: First, for the enterprise itself, where competition exists in the socialist market, improving economic results is the basis of an enterprise's survival, development and progress. Second, the state's improvement of enterprises' economic results can be the source of overcoming the present financial difficulty of the state and accumulating funds for the four modernizations. Third, stressing economic results by enterprises is the key to the national economy's advancement toward satisfactory circulation. Fourth, stressing economic results by enterprises is needed for the realization of the objective of socialist construction and for the distribution of real benefits to the people.

We can see from the above that to improve economic results is the center of all activities of enterprises. As the improvement of economic results is so important, the following needs to be defined:

## What Is the Economic Result of Enterprises

At present, when economic result is mentioned, some of our comrades often talk only on an increase in profit, are they right or wrong? We hold that it is hard to say that they are wrong, but their point of view is lacking in comprehension. They are right because the profit shows the value of the economic result of an enterprise, and the lack of comprehension in their point of view is seeing only the profit without considering other conditions; this could present a lot of disadvantages.

Let us again speak of the title of this article. The standard to judge a cat's ability should, of course, be the number of mice it can catch. But when a cat is catching mice in a house, it breaks the oil bottle, the chinaware and the glasses, even turns the stove over causing a fire, could we then say that the result of this cat's catching mice is good? By the same token, the economic result of an enterprise should not only be viewed from the amount of its profit, one must also ask how the profit is made and what is the effect on society.

Then, what is the economic result of enterprises? In theory, this question could need further discussion. In March of last year, Premier Zhao spoke at the National Conference of Industry and Communication on how "as a theoretical issue, how to clarify economic results could lead to a wide and deep discussion in fields of theory and economy in order to thrash out its concept. I consider that there is a major point which should first be defined when we talk about economic results, it is, as much as possible, to produce more products fitted to the needs of society with less drain on manpower and material resources." According to the spirit of Premier Zhao's speech and the experience of practice, we hold that the economic result should be composed of at least the following four points:

First, enterprises should gain economic results through the process of production in which material being used decreases while things being produced increase. In other words, under the prerequisite of guaranteeing the quality, cost should be reduced and income should be increased either by saving raw materials, energy and working time applied to products of every unit, or by means of applying the same expenditure as before but producing much more. This is the correct way to improve the economic results of enterprises. As for some enterprises which depend on dishonest practices to make a profit, they might have their way in the beginning but it will all catch up with them in the end.

Second, paying attention to the social-use effects of products, that is to strive for the best quality of products. Take the same production of electric light bulbs, for example, some bulbs only last 1,000 hours while some last 3,000 hours, one of the latter is equal to three of the former. As a socialist enterprise, it must produce products which are good in social-use effect; and enterprises win which the best quality products are produced have a good future as well as strong competitive power.

Third, paying attention to safe production, keeping the ecological balance and not bringing "pollution" into society. In order to concentrate on profit, some

enterprises ignore labor protection, causing incidents of injury and death; some of them have a lot of "three kinds of wastes" but do nothing to control these wastes from harming people's health. Some of them are concerned only for present benefits and do things such as indiscriminately felling forest and trees and "draining the pond to get all the fish." They are not only destroying the ecological balance but also, as the masses put it, "eating the rice belonging to descendants"--leaving a legacy of trouble for future generations. All these things might increase profit over a period of time, but it is not recommended from the point of society as a whole.

Fourth, the (microcosmic) economic result of enterprises should be subordinate to the (macroscopic) economic result of the society. For instance, some small-sized cigarette plants and textile plants have been built in large numbers near sources of raw materials, causing a situation where materials and markets are drawn away from the large-sized ones. Although some of those small enterprises gain economic results, the losses of those large-sized ones were quite considerable since their production had to be stopped to wait for materials. Thus, the social economic result was not good. In contrast, some enterprises are allowed to have deficits by the state policy, because even though they are not making any profit, their products are needed by the people for their livelihood or to promote the production of other enterprises and create conditions for others to make profit. This kind of enterprise should keep running, though of course, they should do their best to reduce the deficit.

Only in accordance with the above four demands can gaining more profit bring better economic results. We could say that the four points mentioned above are the definition for and the contents of economic results of enterprises.

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RESPONSIBILITY SYSTEMS URGED FOR KEY PROJECTS

OW300325 Beijing Domestic Service in Mandarin 1200 GMT 28 May 83

[Station commentary: "It Is Imperative To Establish Responsibility Systems for the Departments in Charge of Key Projects"]

[Text] Building a number of key backbone projects which have a bearing on the national plan and the people's livelihood is of tremendous significance to the development of the national economy. However, reviewing the past situation, it is observed that the time for the construction of some key projects was too long, the wastes created in such construction were serious and the work efficiency was poor. A very important factor in causing such phenomena was unclear descriptions of duties and functions.

Compared with the past, the key projects under construction now are of larger scale and demand higher technical standards and more complex methods of co-ordination. Therefore, it is imperative to change the situation in which there were no responsible departments for the respective projects and establish responsibility systems for the departments in charge. To establish responsibility systems for the departments in charge of key projects means that the departments in charge should take full responsibility to the state and guarantee the fulfillment of the construction tasks according to the construction details, investments, time and economic results as prescribed by the state plans. The departments in charge should organize a leading body with the participation of principal responsible comrades to handle the key projects and map out plans and measures for handling such projects well, and send special personnel to the site regularly to help solve problems and speed up the progress of the construction of the projects. For a small number of key construction projects with weak leadership, the departments in charge should be responsible for selecting a number of comrades who have taken part in the construction of large-scale projects, have organizing and management abilities and are young and capable to assume leading posts in the key projects. The departments in charge should organize on-the-spot leading bodies and simple yet capable working organizations for the key projects to assume full responsibility for directing the various construction projects.

The departments in charge of key projects should also carry out construction contract and economic responsibility systems in an all-round way strictly in accordance with the state stipulations concerned and implement the economic responsibility systems at the construction, design and work units in order to thoroughly change the problems of unlimited spending "eating in the canteen the same as everyone else" in capital construction, and to eradicate major waste in key projects.

## ECONOMIC MANAGEMENT

### CONFERENCE ON ENTERPRISE MANAGEMENT REFORM HELD

Jinan DAZHONG RIBAO in Chinese 4 Feb 83 p 1

[Article by staff reporter: "Have the Courage to Reform and Reverse the Situation of Enterprise Losses; Provincial Symposium on the Task of Reversing Deficits in Industrial Enterprises Proposes Concrete Methods of Managerial Reforms for Deficit and Small-scale Enterprises"]

[Text] The Provincial Economic Commission and the Provincial Finance Department jointly convened a province-wide symposium of the task of reversing losses in industrial enterprises. The meeting emphasized investigating turning around deficit enterprises, especially enterprises with management-related deficits, and strategies for reversing losses by reforms as well as the problem of how to lift restrictions on small-scale enterprises. Deputy Provincial Governor Liu Peng [0491 7720] spoke at the meeting.

The meeting demanded that the number of enterprises with management-related losses be reduced by three-fourths; that the amount of losses incurred be reduced by two-thirds. It will actually be very difficult for management-related losses over one million yuan to be reversed from losses to surpluses, but the meeting requested that losses be reversed by 50 percent. For management-related enterprises with losses under one million yuan, but in excess of 250,000 yuan must turn most of their losses into profits. In special cases where difficulty arises, the enterprises must at least turn losses around by 50 to 70 percent. Those with losses under 250,000 yuan must all without exception turn their losses into profits. In regard to enterprises with losses related to policy, under the assumption that contract plans do not change, the actual amount of losses incurred this year must be reduced by 15 to 20 percent from last year's. The meeting tentatively determined to close, suspend, merge or switch 56 enterprises by the end of this year. These enterprises had expended a large amount of materials, produced inferior products, and were managed badly and incurred losses over a long period of time.

In regard to the restructuring of deficit enterprises and small-scale enterprises, the meeting studied the adoption of the following methods: (1) in regard to small-scale enterprises with management-related losses, under the assumption that ownership is not altered, diversified forms of



economic contracts could be implemented and the enterprises could collectively sign contracts and democratically elect their plant directors. They could also adopt the methods of "entering bids for contracts" or "volunteering their services." In engaging in economic contracts in which enterprises assume sole responsibility for their profits and losses, in principle if losses are incurred, they will not be made up for by the state. In the first or second year after restructuring, they will be exempt from handing over profits to the state and paying for the cost of fixed assets and circulating funds. After the enterprise is under contract, it will be permitted to implement fluctuating wages with no limits on how high or how low they may go. (2) In regard to management-related deficit enterprises that do not implement the contract system, they must guarantee that they will complete the task of reversing deficits according to the prescribed schedule and within the prescribed range. For those enterprises which turn losses into profits ahead of schedule, the whole portion of profits realized from reversing the losses will remain with the enterprises. Those which do not meet this requirement must reduce wages to cadres and workers and staff members all the way down to only supporting the basic cost of living expenses. The chief leading cadres in the enterprises must take the blame and resign, or else be removed from their posts by their superiors and reassigned work in the same spot, not being allowed to be transferred to other work units to undertake leadership posts. (3) In regard to enterprises which incur policy-related deficits, either fixed quota subsidies or contracts on losses will be implemented with the method of not subsidizing overruns on losses but where reductions in losses occur, the difference can be retained by the enterprise. (4) In regard to small-scale, barely profitable enterprises, we can adopt the method of running them as a collective enterprise though the nature of ownership does not change, or else adopt the method of deficit enterprises being run under contract.

The meeting pointed out that to implement a system of economic responsibility with diversified forms, they must correctly handle the relationship between the interests of the three parties [the state, enterprises and individuals], the long-range interest and the immediate interest. For units which implement contracts for profits or losses, in principle the profits they hand over to the state can only increase, not decrease; and subsidies for deficits can only decrease, not increase. They must extract the funds for production expansion and the depreciation funds and the funds for major overhauling. They must maintain the integrity of fixed assets and circulating funds, and guard against losses to state property. They must extract necessary accumulation funds and public welfare funds, resolve the source of funding for expanded reproduction, collective welfare, and outlays for workers' pensions, and guard against dividing up all the profits and consuming them all. They must earnestly implement the production plans assigned by the state, guarantee normal production and marketing channels, and production and marketing contracts. If there is a need to change any of these items, they must be approved by a responsible department at a higher level. They must earnestly implement the policy and financial and accounting rules and regulations stipulated by the state.

12360

CSO: 4006/316

## ECONOMIC MANAGEMENT

### REPLACE TURNING OVER PROFITS TO THE STATE WITH PAYING TAXES

Beijing JINGJI RIBAO in Chinese 15 Feb 83 p 1

[Article by staff reporter Lu Fashun [4151 3127 5293]: "Financial Resources of Six Henan Enterprises Increase; Foundation Laid for Technical Transformation and Expansion in Production"]

[Text] For over two years the six enterprises owned by the whole people of Henan Province, the Zhengzhou Alcohol Distillery, Zhengzhou Second State Cotton Mill, Xinxiang Battery Plant, Louyang Petrochemical Works, Kaifeng Enamel Ware Factory and the Anyang Vibrator Plant, have all been experimenting with the idea of "substituting tax payment for profit delivery." The tempo of production has expanded and economic results have been tangibly upgraded.

In the past, these six enterprises were characterized by stagnant production and inferior economic results. Since they instituted "the substitution of tax payment for profit delivery," independent economic accounting, and assuming sole responsibility for profits and losses in 1980, these enterprises, with the conscious goal of upgrading economic results, have conducted reorganization of the enterprise; have extensively revised labor and expenditure quotas; have enhanced fundamental work; have promoted comprehensive planned management, comprehensive quality control, and comprehensive economic accounting; and have implemented the program of training for all employees. Economic indexes have been separately analyzed into effect in every workshop, administrative office, shift and team and individual, in order to ensure that every phase of the management work undergoes a profound change.

Restructuring allowed these enterprises to increase their financial resources and lay a foundation to carry out technical transformation and expansion in production, enabling the enterprises to initiate projects which they had long desired but had not had the capability to carry out. From 1980 to 1982 these six enterprises extracted 7.97 million yuan of production expansion funds from retained profits. They used this money in combination with the retained depreciation funds for fixed assets and the funds for major overhauling or renewal of equipment extracted [from retained profits] to complete more than 40 technical transformation projects by centering on upgrading product quality, increasing the variety of colors and designs

decreasing raw materials and energy consumption, upgrading work efficiency, and improving working conditions. [As a result], there was manifest improvement in the conditions of production techniques. The Zhengzhou Second State Cotton Mill used funds it raised itself to construct a new polyester fibre warp knitting workshop able to produce 1,400 tons yearly, which filled in a gap in Henan Province's textile industry. The Xinxiang Battery Plant made use of retained profits to complete altogether seven important projects in technical transformation, researched and succeeded in making zinc chloride batteries and three other new products, upgraded product quality and met the demands of the market. From 1981 to 1982 the Zhengzhou Alcohol Distillery completed altogether eight major projects in technical transformation. It set the highest standard for alcohol-from-starch ratio in relation to unit cost in the history of the enterprise.

Having implemented "substituting tax payment for profit delivery" over a period of more than two years, the six enterprises and industries in this pilot project increased the gross output value by an average of 11.9 percent a year. They not only established the highest standard in their history but also greatly exceeded the average standard for the whole province. From 1980 to 1982 they altogether realized profits of more than 61 million yuan, with an average yearly increase of 8.2 percent. The livelihood of the staff and workers was also correspondingly improved.

12360  
CSO: 4006/316



## ECONOMIC MANAGEMENT

### POPULATION, ECONOMIC DEVELOPMENT STRATEGY RELATIONSHIP DISCUSSED

Yinchuan NINGXIA RIBAO in Chinese 10 Feb 83 p 3

[Article by Xiao Heng [5135 1854]: "A cursory Discussion of the Relationship Between Ningxia's Population and Economic Development Strategy"]

[Text] In his report to the 12th CPC National Congress, Comrade Hu Yaobang pointed out: "Throughout the course of China's socioeconomic development, the population problem has continued to be an important problem." This problem has been especially prominent in the Ningxia Hui Autonomous Region. Below I shall make a preliminary inquiry exclusively into the problem of the relationship between population and economic developmental strategy in the region.

A tentative proposal for the objective of the struggle for economic development in the region over the next 20 years is to increase the gross annual value of industrial and agricultural output in the whole region from 2.16 billion yuan in 1980 to around 8.7 billion yuan in the year 2000, a yearly average increase of 7.2 percent. Some comrades have even proposed that while the gross annual value of our industrial and agricultural output is quadrupling, we should strive to ensure that the gross national income in the region also increases at a yearly average rate of 7.2 percent, increasing from 1.15 billion yuan in 1980 to 4.6 billion yuan in the year 2000; and that the total grain output increases from 2.41 billion jin in 1980 to 4.4 billion jin in the year 2000, a yearly average increase of 3.1 percent.

The above-stated objective of economic development is more suited to the realities of Ningxia and if each separate item is carried out well, this objective can be completely realized. Among these various items, the population problem is of greatest relevance as to whether or not the objective of economic development can be realized. From now on until the end of this century, the region will face a peak period in births. At the time of the 1982 census, the population of the whole region was 3,895,578, a figure 2.3 times greater than that of 1949. This rate of increase is nearly one and a half times greater than that of the whole nation. The population of the whole region from 1963 to 1982 census increased at a yearly average rate of 35 per thousand. In order to concretely explain the relationship between the population increase in our district and the

objective of economic development in the region and relate it to the region's realities, we have arrived at the following projections for population development in the region and several major per capita economic indices.

Plan 1: With the population base figure of 3.73 million at the end of 1980 (this holds true for the other projections mentioned below) and calculating according to a yearly average increase of 15 per thousand, of which the yearly natural population growth rate would be limited to around 12 per thousand, and the yearly mechanical growth rate held to under 3 per thousand in the year 2000 the total population of Ningxia would be 5.03 million which is 1.3 million more than the total 1980 population, an increase of 34.85 percent. If, at that time the above-mentioned objective of economic development is totally realized, then the average per-capita gross value of agricultural and industrial output for the region will be 1730 yuan and the average per-capita income would be 915 yuan, and the average per-capita grain output would be 875 jin.

Plan 2: Calculating a yearly average increase in population of 18 per thousand, of which the yearly natural population growth rate would be around 15 per thousand and the yearly mechanical growth rate would be under 3 per thousand, in the year 2000, the total population of Ningxia would reach 5.32 million a figure 1.59 million more than the total 1980 population, an increase of 42.63 percent. At that time, the average per-capita gross value of industrial and agricultural output would be 1634 yuan and the average per-capita income would be 865 yuan, with the average per-capita grain output being 827 jin.

Plan 3: Calculating a yearly average increase in population of 25 per thousand, of which the yearly natural population growth rate would be around 20 per thousand and the yearly mechanical growth rate of 5 per thousand in the year 2000, the population of Ningxia would reach 6.08 million, a figure of 2.36 million more than the total 1980 population, an increase of 63.27 percent. This is an average yearly increase of 118,000, an average yearly increase of .7 percent over Plan 2. In this way, the rate of economic development for the region would fall from the originally proposed average rate of 7.2 percent to a rate of 6.5 percent.

Plan 4: Calculating a yearly average increase in population of 30 per thousand, of which the yearly natural population growth is 2.4 percent and the yearly mechanical growth rate is 6 per thousand, in the year 2000 the population would reach 6.74 million, a figure of 3.01 million more than the total 1980 population. This is an increase of 80.7 percent, an average yearly increase of 150,000, and an average yearly population increase of 1.2 percent over that of Plan 2. The rate of economic development for the region would fall from the originally proposed 7.2 percent to 6 percent.

After much research and comparison, we feel that the population growth for Ningxia in Plan 1 is more ideal. If we can limit the population at the end of this century to within the 5.03 million range and overfulfill the strategic objective of economic development, then at the end of this century it is completely possible that the region can come close to or even pull

even with the national average in terms of the average gross per capita value of industrial and agricultural output and the average per capita income. In terms of the average per capita grain output, it is possible to surpass the national average. At present, it appears difficult to realize Plan 1 because 1981 was still not the peak period in births for the region. Even so, in that year the population increased at a high rate of 27 per thousand. By "zero hour" of 1 July 1982 the population had increased by 61,807 over 1981, a rate of 16.1 per thousand for the half year. The population growth for the full year is estimated to reach 30 per thousand. From now on the region will enter a long period of peak birth rates. It is estimated that it will be difficult to lower the population growth rate of the region to 15 per thousand by 1985. But after 1990 it may be possible to stabilize the population growth rate at around 15 per thousand. Of course, if the task of controlling the population growth rate is done well, it might also be possible to lower the population growth rate to 15 per thousand after 1985. And after 1990 it might also be possible to lower it a little more. The key is whether or not family planning work is carried out well, and whether or not it can be strictly implemented.

With efforts, Plan 2 can be completely realized. We have only to stress the importance of the population problem, and earnestly execute the population policy, and deal well with the relationship between the "two kinds of production" and concentrate on family planning. It is of special importance to do a good job with family planning in rural areas, and limit the mechanical population growth rate and stop the free and unrestricted influx of people into the region. By 1985 the natural population growth rate the whole region will be lowered to under 15 per thousand and the mechanical growth rate under 3 per thousand. From then on, if over the long run the population growth rate for Ningxia is not allowed to surpass 17 per thousand, then by the end of the century Plan 2 can be realized, and Ningxia's total population will not have passed the 5.32 million mark.

Worth noting is this: if from now on we do not place sufficient importance on the population problem, the population growths outlined in Plans 3 and 4 could occur. That would certainly cause the rate of economic development for our district to slow down from now on and make it difficult to realize the objective of economic development. To cite just the example of the consumption fund for infants and children: a population increase of 1.71 million proposed in Plan 4 as opposed to that in Plan 1, would mean an increase of 1.5 million infants and children; to raise a child to the age of 16 costs an average of 4,000 yuan per person; and the total increase in the consumption fund would amount to 6 billion yuan.

In order to guarantee that the objective of economic development be realized for the region and guarantee that the material and cultural life of the people be upgraded, we must steadfastly and strictly control population increases. To upgrade the quality of the population, we must guarantee to strictly realize the population development proposed in Plan 2 but strive to realize that proposed in Plan 1. Only by striving for Plan 1 can we guarantee realization of Plan 2. Population will always remain a problem

of great importance. Family planning is a basic national policy. We must steadfastly and strictly execute that policy. The region's population is facing a long period of peak birth rate years. A large increase in population not only influences raising the average per capita income, but also influences the supply of grain, non-staple foods, and housing. In addition, satisfying requirements for education, culture and health, and employment will all be serious problems in the future, even possibly influencing social stability. We cannot but pay close and serious attention to the population problem. We must under no circumstances treat this problem lightly. On the contrary, we must attach the greatest importance to it.

12360

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## FINANCE AND BANKING

### SWITCH-TO-TAXATION PREPARATIONS WELL ADVANCED

OW281225 Beijing Domestic Service in Mandarin 1200 GMT 25 May 83

[Text] Since the State Council approved the Finance Ministry's "Regulations for Trial Implementation by State Enterprises To Substitute Taxation for Profit Delivery," the various localities and departments throughout the country have paid great attention to the work of switching from profit delivery to tax payment to the state. They have all transferred personnel to form a leading body specially for the purpose, and carried out estimation and calculation work, thereby making sound preparations for the country-wide enforcement of the regulations, beginning on 1 June.

According to information gathered by the Finance Ministry from 19 of the country's provinces, municipalities and autonomous regions, concrete arrangements have been made by all of them for the switch to taxation. Heilongjiang, Ningxia, Hebei, Shaanxi, Shanghai and Jiangsu have all formulated detailed regulations for the switch in accordance with the actual conditions in their own areas.

Jilin Province has made estimates and calculations for each of the industrial and communications enterprises under its direct control. It has also made conversions in accordance with the regulations on the state enterprises' switch to taxation. The results of the conversion calculations show that, after implementing the switch, the amount of legitimate profit to be retained by the enterprises will remain at the same level as that prescribed in the state plan assignments made early in the year. The income tax and after-tax profit to be delivered to the state will also be maintained at the same levels originally set at the beginning of the year. Currently, the departments in charge and the enterprises themselves are taking measures to implement their plans and make every effort to increase income and curb expenditure.

After studying the State Council's "Regulations for Trial Implementation by State Enterprises To Substitute Taxation for Profit Delivery," Yunnan Province's Dali Autonomous Prefecture and Qujing Prefecture, and Jilin Province's Nongan and Dunhua counties have taken resolute steps to make the enterprises originally permitted to practice the system of delivering a fixed amount of profit revert to the method of substituting taxation for profit delivery.

Liaoning Province is also stepping up training of its tax cadres in an effort to implement the switch to taxation smoothly.

CSO: 4006/546



## FINANCE AND BANKING

### RELATION OF CURRENCY STABILITY TO DEVELOPMENT OF ECONOMY VIEWED

Beijing JINGJI RIBAO in Chinese 5 Apr 83 p 1

/Editorial: "The Stability of Currency Is a Major Condition of Economic Development"/

/Text/ Keeping currency stable is an important condition for realizing a fundamental turn for the better in the financial and economic situations during the coming 5 years. Historical experience tells us, the wider the extension of our construction, the firmer should be the adherence to the principle of currency stability; otherwise, the national economy will sustain loss or damage. During difficult periods of economic development, with situations where there is a shortage of goods and prices increase, people can recognize the harm of inflation in general; but during periods when the situation is changing for the better and construction is speeding up, the importance of currency stability is always ignored. At present, all walks of life are striving for the realization of the magnificent goal of national economic development, it is again necessary to raise this issue in order to bring it to the attention in all quarters.

In the past several years, for a variety of reasons, the amount of circulated currency was much more than was needed in the development of industrial and agricultural production, and the expanding circulation of goods. In the past 2 years, the principle of further adjustment has been carried out everywhere, basic balances have been achieved between state revenues and expenditures and between credit receipts and payments, the situation of currency circulation in the market has clearly made a turn for the better. In order to realize the strategic objective formulated by the 12th CPC National Congress, under the assumption that there are still some problems in state finance, all quarters expect that the bank will have more funds to lend out over the next few years. Therefore, how to realize the aim of stabilizing the currency as well as promoting economic development is an issue that needs to be carefully studied and resolved.

In order to keep a basic stability in the currency, the production of goods must be developed. The reason is that the stability of currency is ensured by goods which sell well in the market. Only when industrial and agricultural production keep developing and goods are plentiful in the market will currency stability have a dependable base. In addition, funds must be appropriately concentrated to ensure the construction of major projects in fields of energy,

transportation and so forth; only by doing this can industrial and agricultural construction develop at a fast clip, more goods be supplied to national construction and the urban and rural markets, and the stability of currency be definitely maintained.

In order to maintain currency stability, the volume of investment in capital construction has to be controlled. Since the founding of the PRC, there have been several periods of abnormal overcirculation of currency, all of which, apart from political reasons, can be attributed to the blind extension of capital construction. Such over-extension not only strains the supply of materials, but is bound to bring about abnormal situations such as too many investments, too many loans and an overabundance of currency in circulation. At present, there is a sharp increase of investments in capital construction in some areas and some departments; the State Council has decided to take strict measures to confine them within certain limits. As to the bank's role, it has to lend money strictly according to plan and also supervise the money-lending units to act within the limits set by the State Council. The principle that the extension of capital construction must be suited to national strength must be enforced. Funds needed by capital construction should be collected through increasing production and practicing economy by the people of the whole country, improving economic results and creating more wealth, but it should not depend on circulating more currency.

An important area of currency circulation in our country is the expenditure for wages in the units of enterprises and institutions owned by the whole people and the collectives. Therefore, in the practice of different forms of responsibility systems, the economic relations of the state, the enterprises and the working people have to be handled carefully and correctly, to carry out seriously the national plan of wage funding, to draw and grant bonuses reasonably, and realize the feasibility of raising the personal income of staff and workers appropriately on the basis of improving economic results and productivity of labor. Only by doing this can the increased purchasing power have a dependable guarantee of materials. The increase in the consumption fund must not surpass that of the productivity of labor.

The currency policy is the core of all financial policies. If the state credit plan were broken, too much currency would be put into circulation, the supply of goods would be strained, the market prices would be unstable and this would badly affect the popular feeling and the development of production. Therefore, the leading cadres of the party and the government at all levels and the related departments must not ignore this issue at any time. The People's Bank, as the national currency-circulating organ, should coordinate initially with related departments to strengthen investigation, analyze the changing regularity of currency circulation, study new situations and new problems, take corresponding measures promptly in different aspects to keep a basic stability of currency and to promote the development of the economy.

12272

CSO: 4006/457

FINANCE AND BANKING

CONSTRUCTION BANK LOANS REVITALIZE 24 ENTERPRISES

Shenyang LIAONING RIBAO in Chinese 19 Feb 83 p 2

/Article by Liu Shihua /0491 0013 5478/: "Stressing Results of Credit, the Construction Bank of Liaoning Province Saves 24 Enterprises"

/Text/ Holding the improvement of economic results as the heart of its tasks, the Construction Bank of Liaoning Province paid special attention to the efficient handling of credit investments and gained notable results. It focused support on the technical transformation of 24 enterprises with a 9.24 million yuan lending fund, turning all of them from loss to profit in the last year.

Because of the readjustment of the national economy, production at the Suburban Agricultural Machinery Repair and Manufacturing Plant of Anshan was at a standstill and about 400 staff and workers had nothing to do. In 1982, the Construction Bank made successive loans totaling 100,000 yuan to this plant, supporting its modernization of original equipment in order to produce marketable products, and turned a loss into increasing profits in the same year. The Benxi Municipal Beer Plant is the former Niuxintai /3662 1800 0669/ Chemical Fertilizer Plant, its losses for previous years accumulated to more than 1.6 million yuan, compelling it to shutdown in 1979. The Construction Bank supplied a 1.4 million yuan loan to this plant, the technical transformation and new production lines were accomplished in only 5 months, and with just 1 trial run, it proved to have the capability of producing 9,000 tons of beer per year and realized the targeted profit tax of 1.5 million yuan last year. Not only was the enterprise saved but the problem of a beer shortage in Benxi Municipality was solved as well. Because the Construction Bank took the right steps in credit investment and paid attention to credit results, 24 enterprises changed losses to increased profits, amounting to a total of 20.06 million yuan. All this made contributions to the four modernizations.

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## MINERAL RESOURCES

### IN POLICY SWITCH, OCEANOLOGISTS PROPOSE AMBITIOUS OCEAN EXPLOITATION PLAN

OW080901 Beijing XINHUA in English 1613 GMT 8 May 83

[Text] Beijing, 8 May (XINHUA correspondent Yu Yuanjiang)--In a major policy switch, more than 60 leading oceanologists today proposed that China concentrate efforts on exploiting and utilizing marine resources.

In a report submitted to the State Planning Commission at the end of a 6-day meeting, the oceanologists described marine development as of strategic significance to social and economic progress and suggested that it be brought in line with the country's development programs.

The report called for establishing a new administrative system suited to the special needs of modern marine development.

While concentrating appropriate amounts of labor power and material on exploiting offshore resources and spaces in the near future, the report said, preparations should be made for developing deep-sea, oceanic and polar areas. These include establishment of a deep-sea mining industry and scientific observation stations in the Antarctic.

The report suggested that a national program for exploiting resources along the seashore be worked out before 1990 and that one or two experimental centers be established in each coastal province to set the stage for all-round exploitation in the 1990's.

A comprehensive plan for exploiting the Bohai should also be ready by 1990 so that experimental exploitation can be carried out to make the sea a profitable economic zone capable of supplying food, petroleum, salt, building materials, and desalted water.

Research and experiments in marine technology should be strengthened and research institutes, production combines, and marine service centers established. Prospecting for offshore oil, developing oil rigs, shipping and storage facilities, and preparing for the opening of the Bohai and South China Sea oilfields should continue. Wave and tidal power stations should be studied and built, and an industry for desalination and comprehensive utilization of sea water established.

The report also envisaged the establishment of a marine pollution monitoring and control system and treatment of polluted sea areas. The oceanologists emphasized prompt efforts to conserve aquatic resources and restore those of the coastal fishing grounds.

Efforts should also be made to develop new technology for breeding aquatic products and use offshore waters to develop shipping, communications and tourism, by constructing submarine facilities and laying cables.

The scientists favored active and discreet expansion of cooperation and academic exchange with foreign countries. While importing selected advanced technology, China should strive to develop its own marine technology.

The meeting was sponsored by the State Bureau of Oceanography and attended by Zeng Chengkui, Mao Hanli, He Chongben, Fang Zongxi, Ren Mei'e, Zhang Zhikui, and other well-known oceanologists.

CSO: 4006/546

## MINERAL RESOURCES

### LOCAL OPPOSITION DELAYS BUILDING OF KEY COAL MINE

HK020323 Changsha Hunan Provincial Service in Mandarin 2310 GMT 1 May 83

[Text] Due to obstruction from central county and commune leaders in Jiahe County, construction workers have never been able to get on with the smooth construction (Puxi) mine shaft in Yuanjiang mining area, a key state project. This shaft is located in Jiahe County. Its designed capacity is 300,000 tons of coal a year. The state has invested 41 million yuan in the project. The construction unit is Zixing Mining Bureau, and the No 1 office of the provincial coal mine capital construction company is responsible for the work.

When the land was being requisitioned for the project, certain leaders in Jiahe County indulged the unreasonable demands of some peasants in demanding a high price from the state. The requisition compensation price for the land at the project is the highest for the six mine shafts being rush-built in the province this year, the cost of each mu being on average double that of the others. The cost for 39 mu of peasants' private plots was as high as 12,560 yuan per mu on average.

The Zixing Mining Bureau has recruited some labor from the communes and brigades there in view of the requisition of their land. According to the state regulations, a portion of the money paid for resettlement and compensation following the requisition of the land should have been deducted accordingly. However the county authorities delayed repayment of this portion. At the same time, the unreasonable demands of a few people in the county went on escalating.

Over 500 people of the No 1 Office of the provincial coal mine capital construction company entered the construction site in February. Due to the obstruction from a few local cadres and peasants, they have never been able to carry out normal work. By 25 April, only 100,000 yuan of construction investment had been used, compared with the planned 480,000 yuan.

If this situation goes on, not only will the key (Puxi) coal mine be unable to go into production on schedule; it may even be forced to halt construction. The 2 May HUNAN RIBAO also carries this report at the masthead position, and adds an editorial entitled: "Can This Behavior Be Tolerated?"

CSO: 4006/546

## MINERAL RESOURCES

### BRIEFS

SHANDONG GOLD OUTPUT--From 1976 to the end of April of 1983, Shandong Province's gold output increased at an annual average rate of 17.6 percent. In the past 7 years and 4 months, the gold output has been more than the total output of the 26 years before the founding of the PRC. [Summary] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 19 May 83 SK]

CSO: 4006/546

## INDUSTRY

### ENERGY-SAVING EQUIPMENT TO BE MASS-PRODUCED

OW280829 Beijing XINHUA in English 0756 GMT 28 May 83

[Text] Beijing, 28 May (XINHUA)—China will mass produce 24 machinery products specially designed to save energy, according to the Ministry of Machine-Building Industry.

One of the products is a new model "jiefang" (liberation) lorry which consumes 7.5 percent less gasoline and carries 0.5 tons more than the old model. The five-ton truck is produced by the No 1 Motor Vehicle Plant in Changchun, Jilin Province.

Other items on the list are ventilators, pumps, meters and instruments. China put 40 such newly-developed products into mass production in September 1982, the ministry said.

In a systematic program to ease the energy shortage, China has listed 12 kinds of energy-gobbling equipment to be modernized. Included are industrial boilers, transformers, electric welding machines and tractors, the ministry said.

A boiler water-feeding pump, developed by the Shenyang Water Pump Factory, is six to eight percent more efficient than the old ones and could conserve 2.5 million kilowatt hours of electricity annually.

More than half of the newly-developed products put into mass production are instruments and meters, including a digital oil gauge and a steam flowmeter.

In a joint decision, the State Economic Commission and the Ministry of the Machine-Building Industry urged the factories that will produce the new equipment to complete preparations for going into mass production by the end of June.

According to the decision, production will be stopped on 16 obsolete products whose energy consumption is considered excessive and techniques outdated.

CSO: 4020/79

## DOMESTIC TRADE

### 'RENMIN RIBAO' URGES MORE, BETTER CONSUMER GOODS

OW181311 Beijing XINHUA in English 1236 GMT 18 May 83

[Text] Beijing, 18 May (XINHUA)—Although market supplies have improved in China with growth of light industry, more consumer goods must be produced to meet the needs of the people, says an article in today's PEOPLE'S DAILY.

The article, written by Zhong Xin, a member of the Economic Research Institute under the Chinese Academy of Social Sciences, says China's total light industrial output value grew from 180.6 billion yuan in 1979 to 276.6 billion yuan in 1982, quality of products has improved and more varieties are available. Prices have remained basically stable.

But since 1982, speed of light industrial growth has slowed and sales of some goods such as transistor radios, cigarettes, spirits and some textiles, have been sluggish.

This does not mean that supply has exceeded demand, but that customers are more choosy, want better quality goods and are waiting to see what comes on the market, the article says.

The author cites the following facts to illustrate his points:

In the last four years, total volume of retail sales in China has increased at a rate faster than light industrial growth;

Supply and demand for most consumer goods are balanced. Some goods are in short of supply and only a small number of commodities do not sell well; and

Urban and rural bank savings deposits increased by an average of 11.72 billion yuan annually in the last four years. Total bank savings reached 67.54 billion yuan by the end of 1982 and many people have cash in hand.

Of course, the article points out, people will not spend all their money on consumer goods and it is true quite a number of people are saving money and taking a "wait and choose" attitude.

"We should make a sober-minded estimate of market conditions," the article says, "on the whole, the supply of goods, although improved, is still inadequate."

The time when light industry could simply produce more to meet the needs of the people has ended, the article says. The author predicts that a new period of stable growth will begin for light industry and the problems of raising quality, increasing variety and improving designs have to be tackled.

China's light industrial managers should study market trends, improve technology and management, and try to anticipate and serve the varied needs and preferences of customers, Zhong Xin concludes.

CSO: 4020/79

## DOMESTIC TRADE

### SUPPLY OF CONSUMER GOODS HIGHER THAN EVER

OW280826 Beijing Domestic Service in Mandarin 1200 GMT 25 May 83

[Text] Market supplies of food, clothing and daily articles in China's cities and rural areas are all better this year than in the past. Compared with the same period last year, the first quarter's sales volume of edible oil increased 40 percent and that of pork 13 percent. Large increases were also seen in the sale of fresh eggs, sugar, wine, tea, beef, mutton and poultry. The sales volume of chemical fiber products increased by a large margin after the price adjustment. More than 620 million meters of polyester fiber-blended fabrics were sold during the quarter, 190 million meters over the same period last year. Rural areas got a larger share of such fabrics. The sales volume of polyester cotton blend fabrics in rural areas increased by 40 percent. Sales of medium-length and long-fiber fabrics more than doubled.

Since the income of people in both cities and rural areas has increased, the sales volume of many kinds of durable goods has consistently maintained the fine trend of mounting. Compared with the same period last year, the sales volume of bicycles climbed 31 percent and that of television sets 13 percent. Sales of recorders in January and February jumped 1.4 times.

According to Ministry of Commerce estimates, the total volume of commodities sold by departments under the ministry showed a 7.3 percent gain during the first quarter compared with the same period last year.

CSO: 4006/546



## DOMESTIC TRADE

### REFORM OF PRICE SYSTEM DISCUSSED

Beijing CAIMAO JINGJI [FINANCE, TRADE AND ECONOMICS] in Chinese No 3  
(11 Mar 83) pp 39-43

[Article by Jiao Wei [3542 4850] of Henan Provincial Price Bureau:  
"Establish a Price System More Suited to Chinese Realities--A Study  
of Price Reform"]

[Text] Reform of the price system in China involves many questions, both theoretical and practical. In this article I will present my preliminary views on the necessity and basis of price reform and an outline of how it can be accomplished.

#### (I)

Much work needs to be done to achieve the strategic objectives of China's economic development set forth by the 12th Party Congress. An important objective is to reform the economic system. Price reform is a key link in economic system reform. Comrade Hu Yaobang pointed out in his report to the 12th Party Congress that we should, "under the prerequisite of maintaining basic price stability, reform price systems, price management methods, and labor and wage systems, in a step-by-step way, and establish an economic system in keeping with Chinese realities."

Price reform involves wide areas and is a very complex matter. It is closely related to economic reform, and the two aspects interact on each other. Virtually every step forward in economic reform comes up on the question of prices. Without reforms in pricing, economic reforms cannot be achieved completely. Objectively, economic reforms demand that price reforms correspond to their needs. For example, planning through guidance is achieved mainly by using economic leverages. If enterprises are not given definite authorities in setting their prices to adapt to the changing market, it will be difficult to give full play to economic leverages. The result would be a return to concentration. Without flexibilities, the old evils cannot be eliminated. Another example, we have been working to expand the autonomy of enterprises and unify authority, responsibilities and profits. Due to irrational prices, however, there is no common starting point in competition. Some products sell for high prices and reap large profits, others sell for low prices and gain small profits.

While economic management and labor consumption in different enterprises are basically the same, price differences have resulted in great gaps in profits gained. Thus, there can be no correct evaluation of the business results of the different enterprises, and no rational decentralization of authority, responsibilities and profit. As economic reforms are being carried forward, we increasingly feel the need and urgency of price reforms.

Definite economic conditions are required, however, to carry out and complete price reforms. Nothing can be accomplished if conditions are not right and if work is carried out too hastily. Prices are the composite reflection of the national economy, an important leverage in the redistribution of national income. Readjustment and reform of prices involve all aspects of economic life, including production, distribution, exchange and consumption. Whether to relax or tighten pricing authority, or let the prices of principal industrial and agricultural products rise or fall--all this has a direct bearing on the nation's revenue and expenditure, the life of the people in town and country, and the stability of market prices. Prices play a decisive role in socioeconomic life. We should therefore be both firm and cautious in restructuring prices and proceed in a planned and step-by-step way, tackling the easy ones first and difficult ones last, making minor reforms first and major ones later.

We must work for a basic turn for the better in our economy and finances before undertaking comprehensive restructuring of price systems. Only when this is achieved can there be a reliable basis for price stability and the prerequisite for reform. A basic turn for the better in the economy and finances is an indication that the economic structure, after comprehensive readjustment, has become rational and the proportionate relationships among all aspects have become generally normal, and a basic balance has been achieved between finances, credits, and the supply of goods and materials. Under these economic conditions, we can take bigger strides in price adjustments and reforms and be able more easily to maintain price stability.

The conditions mentioned above are being realized step by step. As for the major step of restructuring the entire economy, before the Sixth 5-Year Plan, efforts were concentrated on readjusting the economic structure in all aspects, consolidating and perfecting the initial reforms of management systems, and formulating an overall plan of reform and implementation steps. When conditions are ripe, we can gradually institute comprehensive and systematic reforms in price systems, labor systems and wage systems.

## (II)

The objective basis of price reforms consists of (1) a planned economy, which is the basic characteristic of a socialist economy; and (2) socialist commodity production and circulation, the entities of China's economic movement. These two aspects determine the content, nature and regulative forms of China's economic reforms. A planned economy requires that prices are planned and stable, while a commodity economy requires that prices are flexible and adaptable. How to unify the two has to be handled correctly in the process of restructuring.

A basic problem in restructuring the economic system is to implement the principle of making a planned economy the main form and market regulation the supplementary form. This is also a basic problem in the restructuring of the price system. To practice a planned economy--planned production and circulation--on the basis of the public ownership system is the main form of the Chinese economy. At the same time, planning can be exempted for the production and circulation of a number of products. Restructuring price systems to allow for market regulation must be based on socialist economic systems and planned management systems. Our overall reform must be guided by this basic principle.

The system of planned management determines the system of price management. The forms of price management must also be suited to the forms of planned management. This provides a concrete basis for restructuring prices. Our price management must be concentrated and unified, on the one hand, and flexible and varied, on the other. It must meet the demands of common plans, and also the needs of guiding plans and market regulation. Readjustment and reform of prices must also follow the principle of benefiting production, circulation and consumption and taking account of the interest of the state, the collective (enterprise) and the individual.

### (III)

An outline for restructuring our price systems according to the above-mentioned principle can be summarized as follows: Under the principle of unified leadership by the state and management conducted at all levels, (1) gradually expand local, especially enterprise, authority in pricing; (2) simultaneous use of varied forms of prices with planned prices as the main form; and (3) taking "theoretical prices" as the basis, through gradual readjustment establish a rational price structure. The first point is to make management and pricing authority more rational. The second point is to make the forms of price management more rational. The third point is to make the proportionate relationships between the different prices more rational. The natural relations and gradual rationalization of the three aspects constitute the unique Chinese price system. This system is characterized by planning, stability and also flexibility. It is a system that promotes production, expands commodity circulation, stabilizes people's life, and serves the modernization program.

(1) China's system of price management has always been governed by the principle of centralized leadership and decentralized management at multiple levels. It is a correct principle and we must continue to adhere to it. Without centralized leadership there would be no guarantee of a planned economy. Without multiple-level management in a country as big as China, local authorities would not have the flexibility to tailor measures to suit local needs and invigorate the economy. The respective jurisdictions of the central and local authorities over price management, however, were mostly defined in the fifties. They were suited to conditions at the time. With economic growth and the expansion of the

market over the years, and especially with the introduction of economic reforms and the application of new economic policies, local authorities feel they do not have enough power to allow them to play a more competitive role by putting their local advantages to the best use. Local authority of management should be appropriately expanded in a planned and step-by-step way. Second, multiple-level management, as applied in the past, referred mainly to the division of power between the central and the local governments. Prices were set and managed by the state, the difference being only in the administrative level. The enterprise, as a cell of the national economy, had virtually no power over pricing. This is the most important drawback of the over-centralized management of prices and should be the central link of the reform of the price system. The over-centralization of price management leaves little power for the local governments and no power for the enterprises. It prevents the price mechanism from functioning properly. It creates a situation whereby prices remain constant over many years, unresponsive to the growth of the economy and changes in the market. It is an impediment to increasing economic returns. To remove this impediment, local governments and enterprises should be given more power over pricing. Expansion of power over prices should be in keeping with the forms of planning management. In principle, the central government will fix and manage the prices of products and enterprises governed by command planning. Local governments will manage the pricing of products governed by guidance planning. As for prices of specific products, some can be set by local governments, but even more of them should be set by enterprises, within a stipulated scope and definite ranges and according to the changes in supply and demand, so that economic leverages are applied to achieve guidance planning. As for products that are not planned and are allowed to be regulated by the market, including a great variety of small, seasonal and regional commodities yielding low output value, their prices should be regulated spontaneously by the law of value. Individual operators producing farm and sideline products and small commodities belonging to the third type of light and textile industries can set their own selling prices. State management over them is carried out through the enforcement of policies and decrees and through industrial and commercial administration.

In the reform of pricing system, enterprises will receive the biggest expansion of authority. Their authority over price setting should expand along with the progress of economic systems reform and changes in economic conditions. Since they directly participate in commodity production and circulation, enterprises are sensitive to changes in supply and demand. With definite authority over price setting, enterprises will have a greater interest in market demands and will work harder to improve operations and management, bring in greater economic returns, and help achieve state plans.

(2) Another characteristic of China's price system is the coexistence of different forms of pricing with planned prices as the principal form. The current forms are: prices set uniformly by the state, floating prices, prices set by industrial and commercial enterprises through consultation, negotiated purchasing and selling prices, and trade fair prices. These



already existing forms are familiar to all. They constitute an important achievement in price reforms introduced after the Third Plenary Session. We should consolidate and perfect this achievement. The coexistence of multiple forms of prices with planned prices as the principal form has begun to rectify the drawbacks of having only one form of prices. Such coexistence of multiple forms is in keeping with the principle of making planned economy the main order and market regulation and supplementary order. It is suited to the characteristics of China's commodity economy at the current stage, and favors the development of productive forces.

Price form is the concrete expression of the price management system. The authority to set prices must be expressed through definite price management forms. For example, the form of expression of prices set uniformly by the state is planned prices. They are set by taking into account the interest of the nation as a whole and by making overall balance. The enterprises' authority to set prices is expressed mainly through consultation between industrial and commercial enterprises. The various price forms are closely related to each other and interact on each other. Adjustment in price forms indicates shifts and relaxation in the authority over pricing. In 1981, in order to develop small commodities, Henan Province turned over the power to set prices for 360 kinds of small commodities to industrial and commercial enterprises which were to do so through consultation among themselves. This change in price form indicates a shift in the authority over price setting. In price reform, along with economic development and changing markets, in line with the requirements of a planned economy and the principle of commodity management by category, the various prices should be adjusted and applied flexibly to promote commodity production and circulation, enliven the market, and satisfy the people's needs.

In the reform of price forms, we must insist on the principle of making planned prices the main form. The leading position of planned prices is an objective reality that influences and determines the existence of the other price forms and the changes of price levels. Raising the prices of principal industrial and agricultural products will affect the prices of other commodities. Negotiated purchasing and selling prices of important agricultural products and their entry into trade fairs will be allowed only after the quotas of state purchasing and assigned purchasing have been completed. The ratio is also checked by the quotas of state and assigned purchasing. The leading position of planned prices is determined by the fact that planned economy is the main form of economy. Only by insisting on the leading position of planned prices can prices suit the needs of a planned economy. Products under command planning must have their prices set uniformly by the state.

Reforms should appropriately enlarge the scope of floating prices. Over-concentration of prices in the past was seen chiefly in the inflexibility of planned prices, artificially causing prices to deviate from real values. How can we break out of this rigid situation? First, readjust planned prices as promptly as possible; second, introduce floating prices for certain commodities. Floating prices belong in the sphere of planned

prices. They may be said to be a form derived from planned prices, so that while they are uniformly planned, they are also flexible. The state decides which types of products will have floating prices and also the range of price float (maximum, minimum and median prices). Within the stipulated scope and range, local governments or enterprises have the authority to float the prices according to changes in the market. This increases the adaptability of planned prices and helps invigorate the economy. Even important products can adopt this form when necessary. For example, 30 state-managed machine and electrical products and some province-managed products--minor chemical fertilizers and dried yam wine--have sold at floating prices in the past 2 years with good results. We maintain that many in-demand plan products should in principle practice floating prices in order to give full play to its role as a leverage so that there will be more marketable products to meet social demands, higher economic returns, and better fulfillment of state plans.

Prices set through consultation by industrial and commercial enterprises occupy an important position in expanding the enterprises' authority over pricing. This form should also be expanded along with economic growth and market changes. Even selected products governed by command planning can be turned over to industrial and commercial enterprises for price setting through consultation. These are called the third kind of industrial products, usually those with large varieties and selections. This will further enliven the economy.

Negotiated purchasing and selling prices refer mainly to prices of the third kind of farm and sideline products. There are conditions attached to the negotiated prices of important farm and sideline products. There should be no more negotiated purchasing and selling prices for industrial products, because enterprises are now setting prices through consultation and the prices are accepted by the market. The problem of flexibility has been solved. Negotiated prices are set chiefly through consultation between state enterprises, supply and marketing cooperatives and peasants (collectives or individuals) and in principle should fluctuate with market demands. There are, however, definite limits to the types of products whose prices can be negotiated. Negotiated prices must also play the role of holding down market prices. Minimum protective prices are to be stipulated for some important agricultural products. Provincial commercial administrative departments will decide on the range of negotiated prices of grain and edible oil. Sometimes, the state purchases important farm and sideline products with negotiated prices as a way to control them. This shows that while negotiated prices are allowed mainly to provide flexibility, they also serve to provide a certain degree of centralization. Negotiated prices can promote agricultural and sideline production and enliven the economy, but appropriate control must also be imposed to prevent them from hurting the stability of agricultural and non-staple product prices and from affecting the life of urban people.



Trade fair prices are formed directly according to the supply-demand relationship at the fairs. This is the freest price form in China, a supplementary form in the system of socialist price forms. It is a necessary, beneficial and indispensable supplement. Its existence and development are determined by the existence and development of trade fairs, and are in keeping with China's current level of rural productive forces and the existence of multiple forms of economy, including household side occupations. There should not be too great a restriction over this form of prices, only management through the enforcement of policies.

(3) An important task in price reform is to further rationalize the price structure.

The irrational situation of the price structure is expressed chiefly in three aspects. First, prices of agricultural products in the past were too low, the scissor differences were too great, and price parities between industrial and agricultural products were not rational. After readjustment of agricultural product prices (in Henan Province, the integrated index was raised by 37.2 percent), the situation changed markedly. This was the first and a fairly big step in the readjustment of the price structure.

The current major problem is the irrational price parities between agricultural products. Prices of cash crops such as rapeseed and tobacco are too high. The per mu income of tobacco has reached 170 yuan and more. Areas planted to cash crops have increased while grain crop areas have been reduced. This does not favor a planned and proportional development of agriculture. Second, the price ratios between industrial products are irrational, seen mainly in high prices and large profit in the processing industry and low prices and small or no profit in the raw materials and extractive industries. For example, take the average profit rate of funds in the industry sector as 100 percent, the petroleum sector rates 350 percent, the light and textile industry sectors rate 200 percent, while the coal sector rates only 16 percent. Commodity value shifts from one sector to another in the process of exchange, creating huge gaps in profit gained. Some price ratios between products in the same sector are also irrational. For example, the price ratio between synthetic fabrics and cotton fabrics is 1:2.4 (the 1980 international ratio was 1:0.8). With high prices and large profits, production of synthetic fabrics developed rapidly, their supply exceeding demand, so that 6.5 billion yuan of funds are lying idle. With low prices and very small profits, cotton production has been stagnating. This situation does not favor planned and proportional development and the rationalization of economic structure. This is an important reason for poor coordination between the growth of long-line and short-line products. Third, the differentials between purchasing and selling prices of some products are irrational so the state is spending increasing amounts in subsidies. Price subsidies in 1978 accounted for 7.02 percent of budgeted revenue, increasing to 32.04 percent in 1981. This breaks down to 12.7 billion yuan of grain and edible oil subsidies, 3,663,000,000 yuan of cotton subsidies, and 1,728,000,000 yuan of meat, fish and egg subsidies. This expenditure aggravated financial difficulties and held back economic growth.

A great deal needs to be done in readjusting the price structure, requiring time and necessary conditions. Readjustment must be carried out in a planned and step-by-step way. We envisage three steps.

Step one, raise the prices of agricultural products and greatly reduce scissor differences to achieve relative rationalization of price parities between industrial and agricultural products. Promote agricultural production and readjust industrial structure in order to strengthen the foundation role of agriculture. This step has been achieved in general during the Sixth 5-Year Plan. The task now is to maintain stable agricultural prices and appropriately readjust irrational price ratios. In the long run, when conditions are right, purchasing prices of agricultural products can be further raised.

Step two, readjust the price ratios between industrial products so that price ratios between products of processing industries, on the one hand, and extractive and raw materials industries, on the other, are rational. Some progress has been made in this area. Since 1979, producer prices of such heavy industrial products as coal, pig iron, steel ingots, rolled steel and cement have been readjusted so that price ratios have improved though not fundamentally changed. Larger scale readjustment must be given overall consideration and cannot be carried out until the Seventh 5-Year Plan.

Step three, rationalize the differentials between purchasing and selling prices of some products by raising selling prices. Cut down purchasing-selling reversal and reduce financial subsidies. This is the most difficult step and has to be carried out together with wage readjustment and reform. Subsidies cannot be eliminated altogether in one stroke. Some necessary subsidies will be preserved. This reform cannot begin until after the completion of the Sixth 5-Year Plan. Right now reduction and control of subsidy increase are achieved by readjusting the purchasing prices of agricultural products.

9924

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## DOMESTIC TRADE

### PLANS FOR ECONOMIC COORDINATION IN SHANGHAI REGION OUTLINED

Beijing JINGJI RIBAO in Chinese 24 Feb 83 p 2

[Article by Wang Daohan [3076 6670 3211], Mayor of Shanghai: "Tentative Ideas on Improving Regional Economic Coordination"]

[Text] Under the guidance of the correct line of the party and a series of guiding principles and policies, there has been a gradual development of regional economic and technical coordination and integration in the past several years.

Shanghai is an important Chinese port and industrial base that has always had close relations with neighboring regions. In recent years, the coordinated and integrated activities between Shanghai and neighboring regions have increased daily. Based on incomplete statistics, Shanghai has already established over 240 varying types of joint business operations such as compensation trade, joint ventures, joint production, joint management of industrial and commercial departments, and integrated companies with 17 provinces, municipalities and autonomous regions. Shanghai has also transferred more than 1,100 scientific research achievements, launched more than 1,800 technical consulting service activities and continued almost 1,500 scientific research and manufacturing tasks.

Although this work has already made some initial progress, we still lack systematic experience in this work. In particular, constantly emerging new conditions and new problems still await studies and solutions. In this regard, I would like to make a few suggestions about problems encountered in this work.

First, substantiate the contents of coordination and integration. We are in the process of drawing up the economic and technical and social development plans for the Sixth Five-Year Plan period, and are doing research on economic and technical coordination and integration for all trades and professions with neighboring regions. Tentative plans for the near future include supplying technology and equipment for products manufactured and sold locally and providing assistance for production in each locality; progressively transferring the products which consume more energy resources and raw materials and require more freight volume to be produced in neighboring regions where there are comparatively advantageous conditions in terms of natural resources and energy resources in order to establish more

regular coordinated relations; organize integrated production for producers which are in short supply both in international and domestic markets by trade and by securing qualified regions and units; progressively developing integration of the production of raw materials and advancing the exploitation and comprehensive utilization of natural resources; and giving assistance to the development of non-staple food production and processing and establishing long-term, regular supply relations between Shanghai and surrounding localities.

Second, strengthen the form of the organizations. First organize integrated companies to exploit natural resources. Two or more parties can pool their resources, and negotiate the investment ratio. Technology, equipment and factory buildings can be regarded as part of the fund sources, and the rest can be raised by the enterprises themselves. Second, organize integrated production companies. Based on domestic and foreign market conditions the products that are in short supply or undersupplied should be the target, and enterprises belonging to the same trade should cut across regions to organize integration, joint ventures and fixed-brand production. Third, organize foreign trade integrated companies. Under the guidance of the unified plans, policies and leadership, they can try out joint ventures, profit sharing, and the policy of unified [and joint actions] in dealing with foreign firms by taking advantage of the favorable conditions of the port and economic information in Shanghai. They can provide service work for the stockpiling, packaging and forwarding of export commodities and legal, notary, information and customs work of foreign trade for neighboring regions; and accept and hear cases concerning foreign trade negotiations and technology imports. Fifth, organize consulting services companies. They can be entrusted to enhance production technology and improve business management for existing enterprises of neighboring regions by providing such services as supplying technical diagnoses, and advice, and working out feasibility plans.

Third, problems concerning the application of economic methods. An integrated company must be an economic entity. It ought to enjoy even more right to self-management and independently administer and manage its own business operations. It should establish a board of directors or a management committee to formulate its business policies, and carry out the manager responsibility system under the guidance of the board of directors or the management committee. Internally, it should organize production according to the principle of specialization. Besides carrying out internal contracts, the enterprises under the company should also have relatively independent authority of management.

Integrated companies, including the business activities of their enterprises, are under the guidance of the state plan. The plans of companies and their subordinate enterprises should be brought into line with the plans of the locality; and local planning departments should carry out coordination work for and overall balance. I suggest that the companies should implement the policy of substituting tax payment for profit delivery, and that the commodity tax of each enterprise be calculated in terms of net output value. Profits after tax should belong to the enterprise.

In line with state policies, the board of directors or management committee proportionately distribute the profits according to their uses; and the remaining net dividends can be passed to shareholders in proportion to their investment.

When technical consulting service activities are launched they should be carried out with the initiative and enthusiasm of the communist style. In order to effectively combine responsibilities, rights and interests, we need to implement compensatory measures. We can, according to the benefits of the services and on the basis of specific proportions, receive consulting services fees or enterprises diagnosis fees. On the other hand, the consulting services departments must bear economic responsibility for damages caused through faulty consultation.

Fourth, draw up transfer regulations for scientific and technical achievements. Because the transfer of scientific and technical achievements in the process of coordination and integration will be very large, we must urgently research and draw up regulations for the transfer of those achievements, and rationally formulate cost criteria for the transfers. The revised state plan should be used as a guide for the transfer of major scientific and technical achievements. They must not be transferred to enterprises not fulfilling the assigned production quota. Earnings from such transfers should be kept by the units that transferred them. The majority of such earnings should be used as development funds for new products and technology, collective welfare funds and personnel awards funds. The transfers of technology of the industrial sector should also be taken care of in this manner.

Fifth, economic legislation. We must research and draw up appropriate regulations, rules and laws to ensure the smooth operation of economic integration and technical coordination. On the basis of this, we must also formulate feasible rules and measures.

Sixth, strengthen the coordination between provinces and municipalities. I propose the establishment of bilateral or multilateral conferences for the responsible comrades of provinces, municipalities and autonomous regions to research the conditions for making headway for major economic and technological coordination and integration, to harmonize contradictions that appear in the course of work, and through discussion reach bilateral resolutions of problems. At the same time, through the coordinated responsible units in provinces, municipalities and autonomous regions financial institutions and economic research departments, economic information should be exchanged, and economic information work should be efficiently done.

12269

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## DOMESTIC TRADE

### MEASURES TO PROTECT CONSUMER'S INTEREST ENACTED

Shanghai JIEFANG RIBAO in Chinese 21 Feb 83 p 1

[Article by Hu Sujuan [5170 4790 1221], Resident Correspondent in Beijing: "Commercial Reform must Protect Consumer's Interests--Beijing Municipality's Request for the State Council's Office For Restructuring the Economic System and the Ministry of Commerce to Approve the Eight Stipulations"]

[Text] In order to continuously consolidate and perfect the economic management responsibility system and to guarantee a healthy development of the commercial reforms, the Beijing Municipal Party Committee and the Municipal People's Government convened a conference this afternoon and listened to reports on the state of the commercial reforms. The conference was in line with the directives of the leading comrades of the State Council on reform work, and gained the approval of the leading comrades of the State Council's Office for Restructuring the Economic System and the Ministry of Commerce to work out supplementary notices for implementing the economic management responsibility system.

At present, retail trades and service industries in Beijing are implementing the economic management responsibility system. On the basis of making experiments, an implementation drive is being gradually and systematically launched under competent leadership, and by stages and in groups. Initial tangible results have already emerged and a good impetus for the reforms has appeared. The supplementary notices stipulate:

--The commercial reforms must uphold the socialist managerial orientation and serve the people in even better ways. On no account can (the reforms) harm the interests of the consumers, illegally shifting burdens on to the masses.

--To make things convenient for the people, the units carrying out business contracts must, according to different trades and various regional needs of the masses, clearly determine the scope of management, and uphold one trade as the major one while simultaneously operating other trades. Each enterprise or counter must make out a catalogue of commodities necessary for business that can be easily accessed and inspected. There can only be increases in small commodities required for the daily life of the people. None can be reduced. Any unauthorized reduction of variety, or any



cancellation or small commodity engagements or influencing of the daily needs of the people, will mean a deduction from the policymaker's bonus for that month or a deduction of 10 to 20 percent of the standard wages for that month according to the seriousness of the case.

--While earnestly carrying out the price policy, strictly abide by the stipulations of the "Provisional Price Control Regulations" issued by the State Council. No contracted unit is allowed to shortchange or pass off inferior products as fine ones or adulterate or raise prices in a disguised form. Depending on the seriousness of the case, units or individuals who violate the price policy may be punished respectively by fines, having illegal income confiscated, having a specified proportion of the bonuses deducted from the enterprise, having 10 to 20 percent deducted from the standard wage of the person in charge, and so on. In an extremely serious case, the industrial and commercial administration departments can order their business licenses be suspended or revoked. All negotiable price commodities or individual households are strictly supervised by the industrial and commercial administration and price departments.

--Units carrying out the management responsibility system must continuously perfect, consolidate and develop the service items and manners already welcomed by the masses and measures convenient for the people. There can be no excuse for unauthorized reductions or cancellations. Contracted enterprises with services that increase the convenience of the people must be further encouraged, and any reduction means the deduction of a certain proportion of bonuses.

--In terms of the distribution of bonuses, (we) must look forward and backward; we must store up in fat years to make up for lean ones; proportionately retain a sufficient reserve of welfare funds; and oppose dividing up and eating up everything. Bonuses for workers and staff members can be distributed in monthly allotments, calculated by the whole year.

--Every effort must be made to make the content of a contract comprehensive, containing not only profits, varieties and other targets, but also requirements for the quality of service. Besides, it must amply express the complete unity of responsibilities, rights and interests. The industrial and commercial administration department, as a party to a contract, must seriously carry out supervision.

--The supervision and assistance by the masses of people in a guarantee of successfully carrying out commercial policy. Enterprises must adopt varied methods, regularly convene the workers' congress, establish customer appraisal boards, make standard rules and scales available to the public, impartial criteria invite residents to discuss and listen to the opinions of the masses frequently and from all sides. The industrial and commercial, financial, tax and price control departments must strengthen their supervision and inspection.

--We must energetically strengthen the ideological and political work of workers and staff members, educate them to strictly abide by and implement state policies and decrees and correctly handle the relations among the state, enterprises, individuals and consumers.

12269

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## DOMESTIC TRADE

### SYSTEM OF RESPONSIBILITY FOR ECONOMIC RESULTS REVIEWED

Shijiazhuang HEBEI RIBAO in Chinese 8 Feb 83 p 2

[Article by Wei Aiqun [7614 1947 5028] and Guo Weihong [6751 4850 3163]:  
"The System of Responsibility for Business Results in Retail Trade Has  
Been Vigorously Launched Throughout the Province--Consider the Implementation  
of the System of Responsibility for Business Results as a Breakthrough  
Point For Reforms"]

[Text] After the provincial commercial work conference, business contracts were progressively launched for every trade and profession in all municipality and county trade systems. The city of Qinhuangdao started early, acted quickly, and already has 73 grocery stores carrying out the system of responsibility for business results, making up over 35 percent of the total. Before the Spring Festival, the catering trade will be able to adopt the system and the manufactured goods retail trade will also implement the system by the end of March. The city of Shijiazhuang, in conformity with the principle of "carrying out the system in those retail stores which are sure to succeed, but insisting on experiments for those which are not" and with the principle of "taking up the easy ones first and the difficult ones afterwards, and taking up the small ones ahead of the large ones," has already carried out the system of responsibility for business results in 166 grocery stores, or 33 percent of the total, and is fully underway in the catering trade and fruit retail trade. Their principal method of work is for every bureau to first index the financial contract profits, then the contracts are signed layer upon layer--between company and bureau, shop and company, and counter and shop. Mayor Guo Qingyu, [6751 1987 0151] of the City of Handan, with four deputy mayors, led the leadership of the planning commission, financial commission, and the financial, banking, industry and commerce, and labor departments to conduct business on-the-spot. The well-prepared retailers were asked to sign contracts on-the-spot. The relevant departments were charged to make the requisite solutions to concrete problems within a prescribed time limit. At present, the municipality already has 32 grocery stores carrying out the system of responsibility for business results. The primary and the secondary trades, and municipal supply and marketing cooperatives are in the process of measuring and calculating (their) contractual base figures. By March the system will be implemented in an all-round way. The leading cadres of Shijiazhuang prefecture recognize that if we wish

to implement reforms we cannot be overly cautious. We must be willing to experiment. Provided we ensure that the state revenue is not reduced, we can proceed the system with confidence, and enliven the enterprises first. We can make progress in the course of implementation. While discovering problems and solving them, we can continuously enhance and perfect the system. At present, the whole prefecture already has 382 grocery stores carrying out the system. There are six forms: the system of responsibility for set profit quotas; fixed profit quotas and the sharing of above-quota fixed profits; the piece-rate system of wages; remuneration according to sales; the manager responsibility system; and the system of responsibility for personnel leave. The catering trade in Cangzhou prefecture is implementing the system of responsibility for business results at a relatively quick pace. The prefecture already has 328 grocery stores carrying out the system, amounting to 78.8 percent of the total. It is estimated that within three months, all of them would adopt the system.

A problem that merits our attention is that the ideology of the leading cadres in some areas falls short of the situation, causing a slackening of the pace of the reform and a tardy development of the situation. In order to swiftly bring the reforms to a climax, on 5 February, the leading comrades of the Provincial Party Committee and Provincial Government convened the leading cadre of every bureau in charge of finance and trade to do further research on opinions on the acceleration of the commercial system reforms. (They) emphasized that all levels of leadership must be in the vanguard of the reforms, energetically participate in the reforms, boldly lead the reforms, and be promoters of the reforms. The commercial reforms must be carried out at a greatly accelerated pace and on a large scale. All counties and municipalities must get underway. At the present time, the implementation of the system of responsibility for business results, must be considered as a breakthrough point for the commercial reforms. Contracted units must go beyond the restriction of (being comprised of) less than thirty people--large commercial enterprises must also be able to adopt the system. The forms of the system can be flexible and varied (rather than) rigidly adhering to one form. Every unit under the system, within the prerequisite of assuring the state revenue, can have more income if it is able to make larger profits and those who carry out the reforms first will be the first to gain.

12269

CSO: 4006/369

## DOMESTIC TRADE

### BRIEFS

HAINAN COUNTY NATIONALITY COMMODITIES--Baoting County has taken measures to develop the production of nationality commodities. Last year, the total amount of these commodities in the county reached some 7.1 million yuan, an increase of 31.6 percent over 1981. With the rapid development of industrial crops, such as rubber, coconuts, areca nuts, sugarcane, and cassava, collectives' and individuals' income derived from diversification throughout the county last year was 9 million yuan, 48.5 percent of the total income derived from agricultural production and an increase of 31 percent over 1981. [Text] [HK220622 Haikou Hainan Island Service in Mandarin 0330 GMT 17 May 83]

CSO: 4006/546

## FOREIGN TRADE

### VICE MAYOR LUO CHANGREN DISCUSSES ADJUDICATION OF TRADE DISPUTES IN SEZ

Shenzhen SHENZHEN TEQUBAO in Chinese 2 May 83 p 1

[Article: "In a Meeting of the City Government, Vice-Mayor Luo Changren Stresses That Economic Disputes Should be Adjudicated by the Courts and That Chinese and Foreign Traders Should Act In Accordance With the Law"]

[Text] "When mediation is ineffective in economic disputes that arise in the Special Zone, regardless of whether they are economic disputes between trader and trader, foreign trader and Chinese trader or between various economic departments, these disputes should be adjudicated in accordance with the law by economic courts or arbitration organs. Amplifying and perfecting economic court and arbitration work is a matter of great urgency." This is a statement that was made by Luo Changren (5012 2490 0088), the Vice-Mayor of Shenzhen City, at a city government meeting.

At present, the city government is holding a special meeting on how to do a good job of system restructuring in the Special Zone and on the problem of how to speed up the rate of construction of the Special Zone. Vice-Mayor Luo Changren, who is responsible for planning and basic construction work in the Special Zone, made a speech in the light of the actual conditions in construction company planning bureaus and industrial development company departments. He said that these departments had made gratifying achievements in their work in the past. However, there are many existing problems and disputes among departments are a common occurrence that affect the rate of work and that cause losses in work through delay. The causes of this circumstance are diverse. A major cause is that they were originally all economic department units that frequently used administrative methods to deal with problems and disputes that arose in the course of economic activity. For example, once an agreement has been signed regarding design, construction, supply of materials, communication and transport and land use, matters should be handled in accordance with the contract and the agreement and arbitrary changes should not be made. At present, there are some departments that are not acting in this way, with the result that many contradictions and disputes over trifles are brought about. Luo Changren stressed the following: "The Special Zone should further strengthen its legal system and amplify and perfect economic court and



arbitration work. All economic disputes that cannot be cannot be solved by mediation should without exception be heard in an economic court and be arbitrated in accordance with the law! If this is not done, we will not be able to guarantee that construction projects will proceed in full swing and in an orderly way and we will not be able to guarantee a high rate of speed."

Vice-Mayor Luo Changren's speech was uniformly praised by those at the meeting, who recognized that these were highly essential conditions for establishing a material civilization and a spiritual civilization. Everyone also discussed the fact that, in restructuring systems, we must take a step further in changing the middle-level administrative organs that manage economic departments into economic entities and we must free ourselves from improper interference of administrative measures in economic activity. At present, there are still some economic entities in name that are actually units that are not engaging in independent economic activity. This should be changed quickly. If not, they should simply be rescinded and be replaced by economic entities to guarantee a high rate of development of the Special Zone.

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CSO: 4006/504

## FOREIGN TRADE

### NOTICE ISSUED ON DEALING BLOWS TO SMUGGLING ACTIVITIES

Fuzhou FUJIAN RIBAO in Chinese 2 Apr 83 p 1

[Article by Chen Bizhen /7115 4310 3791/, of the Fujian Provincial Office of Dealing Blows at Criminal Activities in the Economic Sphere: "Some Lawbreaking Merchants of Hong Kong and Taiwan Have Repeatedly Colluded With Smugglers in Coastal Areas of Fujian; the Provincial Government Reaffirms Resolutely Blows at Activities of Smuggling and Dealing in Smuggled Articles at Sea"]

[Text] Recently, the people's government of this province issued a "Notice on Dealing Blows to Activities of Smuggling and Trafficking Smuggled Articles at Sea."

It has lately been found in this province that some lawbreaking merchants of Hong Kong and Taiwan, regardless of the warning of the government, repeatedly intruded into territorial waters of this province and colluded with a few smugglers in coastal areas to conduct illegal activities of smuggling and trafficking in smuggled articles. In order to protect the fishery production and the normal economic order in the coastal areas of this province and resolutely to deal blows at activities of smuggling and trafficking in smuggled articles at sea, the Provincial People's Government reaffirms in this notice that smuggling and trafficking in smuggled articles are against the law. According to provisions of the PRC Customs Law, all smugglers and those who are trafficking in smuggled-articles must be punished according to the law and absolutely must not be forgiven. Those who commit activities of smuggling or selling smuggled articles should make a clean breast of their crime to the government on their own initiative and take the chance of leniency. Rewards are to be given according to regulations to those who are meritorious in exposing and denouncing smugglers and vendors of smuggled articles. Those who retaliate against informers are to be punished severely. This notice points out that to have exchange of mail, trade, air and shipping services with Taiwan is a state policy for realizing national reunification, but it is absolutely forbidden to commit activities of smuggling and selling smuggled articles under the name of "exchange trade." We hope that the Taiwan authorities will set national interest above everything else, join efforts with us to oppose the activities of smuggling and smuggled-articles trafficking at sea, and refrain from interfering in our antismuggling patrol fleet's actions. Our antismuggling patrol fleet has the sacred duty of dealing blows at smuggling and trafficking in smuggled articles at sea; all smuggling boats must submit to examination and must not be defiant of their orders. When resistance emerges and the personal safety of the officers and crew of our antismuggling fleet is threatened, they must firmly counterattack and troublemakers are to be punished severely.

## FOREIGN TRADE

### FOREIGN LOANS FINANCE OFFSHORE OIL PROSPECTING

OW271417 Beijing XINHUA in English 1254 GMT 27 May 83

[Text] Beijing, 27 May (XINHUA)--Foreign oil companies invested 490 million dollars (U.S.) exploring China's offshore oil between 1979 and 1982, according to the China National Offshore Oil Corporation (CNOOC).

During the same period, CNOOC said, China spent 40 million dollars, out of which 20 million were foreign loans.

The corporation disclosed that the money was used for geophysical exploration in several cooperation zones in the South China Sea, South Yellow Sea and the Bohai Sea and drilling 24 exploration wells in 15 oil-bearing structures.

Among the 15 structures, CNOOC noted 10 reported oil and gas flows of industrial value and, out of the 24 exploration wells, 12 reported high or fairly high oil and gas output.

Fifteen production wells were sunk in the Chengbei oilfield in the Bohai Sea, CNOOC added. A latest exploration well sunk in the Sino-Japanese joint exploration area in the southern part of the Bohai Sea is reported to be producing an average of 12,200 barrels of oil daily and 190,000 cubic meters of natural gas.

According to agreements on geophysical exploration, between CNOOC and foreign companies, the exploration cost is borne by foreign companies, and will not be repaid. CNOOC undertakes only to designate some areas for bidding, CNOOC said.

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## FOREIGN TRADE

### BRIEFS

OFFSHORE DRILLING RESULTS--Since 1979, China has used a total of \$530 million in foreign investments to explore its offshore oil and gas with good results, the newspaper ECONOMIC INFORMATION reports. Twenty-four oil and gas exploration wells have been drilled in 15 geological structures in the South China Sea, Bohai Sea and the area to the south of the Yellow Sea, the paper said. Twelve of them have delivered high oil and gas yields. In addition, 15 oil and gas wells have been drilled at Chengbei oilfield on the Hobai Sea. [Text] [HK290322 Beijing CHINA DAILY in English 29 May 83 p 2]

CSO: 4020/79

## LABOR AND WAGES

### VOLUNTEERS FLOCK TO XINJIANG'S KARAMAY OILFIELD

OW192109 Beijing XINHUA in English 1305 GMT 19 Apr 83

[Text] Karamay, 19 Apr (XINHUA)--A total of 5,535 people volunteered to go to work at the Karamay oilfield in northwest China's Xinjiang Uygur Autonomous Region in two weeks following a "help wanted" notice published in China's leading newspaper, the PEOPLE'S DAILY on 3 April, according to the Karamay city authorities.

The volunteers are from small and medium-sized cities in Liaoning, Zhejiang and Shaanxi Provinces and large cities like Beijing, Tianjin, Guangzhou and Chongqing.

Among them are engineers, geologists, designers, teachers, doctors and new university graduates.

Developed in 1958, the Karamay oilfield now produces some 4 million tons of crude oil a year and in 1982, it pumped out 4.03 million tons, according to the Ministry of Petroleum Industry.

Xinjiang will be one of the major centers in the country's land oil exploration and development in the coming years, the ministry said.

The volunteers will join oilfield technicians and workers in preparing for the effort.

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## GENERAL

### POOR PACKAGING CAUSES ECONOMIC LOSSES

HK201615 Beijing CHINA DAILY in English 17 May 83 p 2

[Text] China suffers losses of more than 10 billion yuan every year because of poor packaging, ECONOMIC INFORMATION reports. Last year, about \$2 billion was lost out of export shipments totalling \$19.62 billion.

The following examples are typical:

Fresh eggs. Last year, of 75 million kilograms of eggs exported, 8.5 percent were damaged because of inadequate shockproof packaging. On the domestic market, about 55 million kilograms of fresh eggs out of 650 million kilograms were also damaged and 101 million yuan was lost.

Fresh fruit. Last year, of 4.5 million tons of fresh fruit purchased throughout the country, 50 to 77 percent rotted or was damaged. Some 300 million yuan was lost.

Fresh meat. Now, about 10 million kilograms of meat are sold annually. Because of lack of proper packaging, 10 percent of the meat must be sold at a discount.

Other foods. Every year, about 300 million yuan is lost on refreshments, candies, drinks and other food products without proper packaging.

Bicycles. Last year, 17.35 million bicycles were sold, but 10 percent of them, were damaged before delivery and had to be sold for 60 percent of the set price. As a result, 100 million yuan was lost.

Sewing machines. Last year, of 5.16 million machines sold, 8 percent were damaged and had to be marked down 50 percent, causing a loss of 50 million yuan.

Chem fertilizer. Every year, 8 percent of the fertilizer bags break, costing 420 million yuan.

Grain. A loss of 200 million yuan occurs every year. Last year, 980 million kilograms of grain were lost because gunny sacks and cloth bags were not damp proof and durable.



Poor packaging has also meant losses of such commodities as medicine, electronic instruments and building materials, the paper said.

At worst, about 90 percent of the vacuum parts for electronic products have been damaged in a year at a loss of 300 million yuan. And 40 percent of microscopes are broken during transport.

The country's instrument departments suffer an annual loss of 100 million yuan. Last year, 94.07 million tons of cement were produced, but 5 percent was damaged--a loss of 450 million yuan.

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HONG KONG MEDIA ON CHINA

SHENZHEN TO RELAX BORDER CUSTOMS CHECKS

HK260123 Hong Kong HONG KONG STANDARD in English 26 May 83 p 4

[Excerpts] Shenzhen authorities will soon relax customs checks along its border with Hong Kong to facilitate the development of its special economic zone.

This was announced yesterday by Shenzhen's vice-mayor, Zhou Xiwu, at the opening ceremony of the first commercial building in the zone.

The 20-story building is jointly developed by the Hong Kong-based Chung-Fat Tai-Tung Property Company and the Shenzhen District Property Company.

Mr Zhou said the authorities intended to simplify customs procedures at the border checkpoints after a "second line" to demarcate the special economic zone from other parts of Shenzhen had been completed.

The vice-mayor said implementation of the second line would be carried out later this year on an experimental basis.

The customs checks will be relaxed in phases because of the possibility of increased smuggling activities, he said.

"If we find the measures workable, we will then enforce them fully," Mr Zhou said.

On cooperation between Hong Kong investors and the Shenzhen authorities, the vice-mayor said completion of the Shenzhen International Commercial Building was another example of the intimate economic cooperation between them.

The building with its wide range of facilities will be convenient for foreign investors and will complement development in Shenzhen, he said.

After the opening ceremony, Mr Zhou told reporters the Beijing Government was determined to support development of the economic zone. The new head of XINHUA NEWS AGENCY in Hong Kong, Xu Jian, had also conveyed the central government's assurance to them, he said. Mr Xu, who is also a party Central Committee member, recently visited Shenzhen and was "greatly impressed by the rapid development in the zone," Mr Zhou said.

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## HONG KONG MEDIA ON CHINA

### ZHEJIANG REQUESTS HONG KONG TRADE OFFICE

HK300206 Hong Kong SOUTH CHINA MORNING POST in English 30 May 83 Business News p 1

[By Olivia Sin]

[Text] Officials from China's southeastern Zhejiang Province are seeking permission to open an office in Hong Kong to provide a direct trading channel for local businessmen.

The vice-director of Zhejiang's Foreign Trade Bureau, Mr Yu Guangli, said such an office would help them promote their foreign trade.

It would be particularly important as Hong Kong has traditionally been the province's biggest buyer.

In addition, Mr Yu said, the office will also enable them to keep track of market trends and to absorb latest technological information.

At present, local businessmen have to travel to Zhejiang if they want to establish contacts there. A local office would certainly save time and money.

At least five other provinces and cities have offices in Hong Kong to promote trade--Guangdong, Fujian, Shanghai, Beijing and Liaoning.

Last year, about U.S.\$164 million worth of goods from Zhejiang were exported to Hong Kong and Macao, representing about 30 percent of the province's total exports.

The bureau's director, Mr Yuan Xiaoyin, said the province's goods had gained increasing popularity among Hong Kong consumers.

Mr Yuan said major products exported to Hong Kong included foodstuffs, cereals, silk, light industrial products and art and craft items.

For the first time last year, the province sold 12,800-tonne vessels to Hong Kong, he said.

Apart from direct export, he said, the province is also strengthening economic ties with Hong Kong through other means. A joint-venture company in rattan involving Hong Kong investment has been set up in Hangzhou.

Initial investment in the venture amounted to \$2 million and the results had been encouraging, said one trade official.

Mr Yuan said among the province's 600 projects involving processing and assembling with supplied materials, about 400, worth \$16.5 million, were provided by Hong Kong and Macao.

Looking ahead, he said the province will work hard to expand the Hong Kong and Macao markets. Officials intend to introduce more product varieties, upgrade quality and strengthen technical cooperation with Hong Kong.

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## HONG KONG MEDIA ON CHINA

### BANK OF CHINA WANTS STABLE HONG KONG DOLLAR

HK260412 Hong Kong TA KUNG PAO in English 26 May 83 p 1

[Text] The Hong Kong Government has been asked to stabilize the Hong Kong dollar by Jiang Wengui, deputy chairman of the board of directors of the Bank of China and general manager of its Hong Kong branch.

Interviewed by TA KUNG PAO reporter yesterday, he pointed out that the steep decline of the Hong Kong dollar's exchange rate, as far as the Hong Kong exchange market is concerned, was mainly stirred up by a small number of speculators by taking advantage of the strengthening of the U.S. dollar.

Calling upon the Hong Kong Government to stabilize the Hong Kong dollar, Jiang said that this is its obligation. At least, he said, the Hong Kong Government should take the first step by exempting the Hong Kong dollar deposits from the present withholding tax.

Jiang pointed out: "The Bank of China has long advocated the abolition of all withholding taxes. The present withholding tax which only applies to Hong Kong dollar deposits is a fetter on the dollar. Nothing could have been more wrong than discriminating one's own currency. It is time that the tax was abolished."

"Furthermore," Jiang said, "the authorities should take steps to control the on-going inflation and quell the speculations on the foreign exchange market."

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## HONG KONG MEDIA ON CHINA

### BANK OF CHINA CHIEF WARNS ON DOLLAR

HK270750 Hong Kong SOUTH CHINA MORNING POST in English 27 May 83 p 1

[By Victor Su]

[Text] A top Bank of China official yesterday attacked heavy speculation in the foreign exchange markets.

And he called on the Hong Kong Government to reconsider its "positive non-intervention policy."

The general manager of the bank, Mr Jiang Wen-qui, in a statement to local communist-controlled journals yesterday, said speculation was seriously damaging Hong Kong's stability and prosperity.

Mr Jiang was sent here from Peking last year to oversee the activities of all 13 of the republic's state-controlled banks. He concurrently holds the title of vice-president of the Bank of China under the State Council.

He said China was "no small" victim of the falling local currency as a major portion of its exports here were contracted in Hong Kong dollars.

Subsequently, Mr Jiang said, China had suffered direct financial losses of between 20 to 30 percent.

But local residents were the major and real victims, with the declining dollar adversely affecting the overall prosperity of the territory.

Mr Jiang denied that the weakening dollar was a psychological result of uncertainty over the future of Hong Kong.

It was more correct to say that the future of the territory was "brighter than ever," he said.

Mr Jiang strongly criticized the Government's "positive non-intervention policy" and suggested the removal of interest tax as a first move to stabilize the currency.



However, he regarded the recent three percent rise (in two increases) in the prime rate to bolster the dollar as being undesirable as such moves seriously hurt commerce and industry.

He urged the government to intervene to stop the speculative trend in the foreign exchange market.

He attributed the fundamental reason for the decline in the local unit to speculative activities in the wake of a strengthening U.S. dollar, followed by the public changing or holding their savings in U.S. dollars, thus disrupting the equilibrium of supply and demand.

Mr Jiang considered the public response to save the value of their money as being understandable.

But he considered speculative activity, aimed at windfall profits, unpardonable.

It is unwise, Mr Jiang said, to regard the greenback as almighty because a strong U.S. dollar would eventually hurt the American economy.

CSO: 4020/80

SYMPOSIUM ON PRICING IN SPECIAL ECONOMIC ZONES HELD

Hong Kong WEN WEI PO in Chinese 25, 26 Mar 83

[Article by Li Kehua [2621 0344 5478]: "Flexible Adjustments, Relative Stability--Experts From Around the Country Gather in Shenzhen to Discuss Special Economic Zone Prices"]

[25 Mar 83 p 7]

[Text] The week long "Symposium on Price Theory for Special Economic Zones" began in Shenzhen on 25 February and concluded on 3 March. The symposium was jointly organized by the Guangdong Provincial Institute on Prices, the Hong Kong-Macao Research Center and the Shenzhen Municipal Economics Institute. More than 80 experts on price theory, actual workers in commodity pricing departments and persons from the journalistic world from the provinces and cities of Beijing, Jilin, Liaoning, Hunan, Guangxi, Jiangxi, Sichuan, Zhejiang, Fujian, Shanghai, and Guangdong took part in the symposium. More than 40 papers were submitted at the symposium. The representatives at the meeting concentrated on discussing commodity pricing principles in the special economic zones, the price system and pricing policies of the special economic zones, and the relationship between the special economic zone markets and domestic and foreign markets, and in several areas they reached relatively unanimous accord.

The Chinese Pricing Association Attaches Great Importance to The Symposium

This symposium was convened under the personal guidance of the Chinese Pricing Institute and the State Bureau of Commodity Pricing, and these two units sent four representatives to participate. Hu Bangding [5170 6721 1353], Vice-president of the Chinese Pricing Association and Deputy-chief of the State Bureau of Commodity Pricing, personally attended and spoke at the meeting. He said that the convening of the symposium on price theory for special economic zones was a matter of tremendous significance. And the construction of the special economic zones was a brand new matter which, in the area of pricing, has required the adoption of a corresponding series of new measures to establish a new management system in keeping with actual conditions. Because of this, the convening in Shenzhen of a symposium on price theory for the special economic zones was necessary, timely and of great significance. When speaking of the relationship between the special

zones and the interior areas, he pointed out that: in terms of the entire nation, there is no doubt that the special economic zones are very unique in nature. The economic and pricing policies applied in the special economic zones cannot be indiscriminately employed in general areas in the interior of the country. It is because of the unique nature of the special zones that they are strictly separated from the non-special areas of the province, neighboring provinces and other areas in the nation's interior and that, in making changes in price systems and management methods, we can and should allow a free hand in exploring and experimenting.

Vice-president Hu also noted that, in its research on how commodity prices and worker and staff wages should be linked, on how to appropriately reduce price subsidies and standards for urban housing charges, on how to correlate changes in consumer goods prices and increases in peasant incomes and on concrete methods for directly (or indirectly) linking domestic prices of different products to international prices and how to continue maintaining these links, the symposium will provide theoretical data and practical experience which can be drawn on in our overall price reform work in the future. In this sense, research on price theory for special economic zones will certainly provide an impetus to price theory research throughout the nation.

#### Last Year Foreign Funds Were Continuously Invested in Special Economic Zones

At the meeting, Zhou Qiwu [0719 3305 5294], Deputy Mayor of Shenzhen, spoke at length. First, in his capacity as host, he warmly welcomed the pricing experts and scholars from every part of the nation. Then he gave the representatives an introduction to the developments and the circumstances of the Shenzhen special economic zone during the past 3 years or more. In general, it included the following six points: The first was the capital construction which has taken the "seven extensions and one leveling" (extending water lines, power cables, roads, telecommunications networks, gas lines, drainage systems and sewer lines, and leveling land) as its focus, is presently being carried out on a large scale and in a planned and orderly way, and initial results have been achieved. The second was the bringing in of a large volume of foreign funds and technical equipment. Up to the end of 1982, throughout the city a total of 1,537 agreements involving various forms of economic management were signed with foreigners--agreements pledging 10.3 billion Hong Kong dollars worth of investment, of which 1.8 billion have actually been used. More than 15,000 pieces (sets) of various technical equipment had been imported into the country. The third was that the "Outline of the Social and Economic Development Plans for the Shenzhen Special Economic Zone" which had been considered and repeatedly revised by experts and scholars from every province and municipality and Hong Kong has been finalized in its initial draft form and published in the newspapers. It has laid out a blueprint for building up the special economic zone. The fourth was that following the publication of the "Guangdong Province Special Economic Zone Regulations" and the four special regulations on industrial and commercial registration, land use, entry and exit management and labor wages, five provisional regulations on commercial goods and housing property management, foreign funds and banking management, the introduction

of technology, economic contracts and economic arbitration were drafted last year; and these will follow legislative procedures and be promulgated and put into effect. The fifth was the overall development of the special economic zone construction and the improvement in the lives of the people. Last year, the total value of industrial output throughout the city reached 362 million yuan, a five-fold increase over 1978; the average monthly income for staff and workers reached 113.25 yuan, a 153 percent increase over 1978. While speaking of the situation last year of introducing foreign funds and advanced technology and engaging in domestic economic coordination, Deputy Mayor Zhou also optimistically noted: because things have been handled in recent years with special attention to the word "special", in addition to continuously improving economic legislation, opening up channels of entry and exit and simplifying procedures for entering and leaving the area, we have also appropriately reduced land use fees, reduced certain taxes, limited or reduced various fees and provided preferential treatment in every aspect, seeing to it that foreign investors would be able to base plans on making a profit. Because of this, under conditions of a continuing world economic slump, last year the Shenzhen special economic zone continued to enjoy an excellent situation in regard to attracting foreign funds. Talks held there have not only become more active than in the past but the topics of discussions have increased as well. Moreover, the volume of single item investments has increased over the past. Last year alone there were more than 40 newly constructed factories involving combined foreign and domestic investment, and both the types of industrial departments and the variety of products involved increased.

Having heard the report and inspected the area, the representatives were delighted with the results achieved by the Shenzhen special economic zone in the last 3 years, and they wholeheartedly took part in the actual activity of discussing the special economic zone price theory and exchanging work experiences in pricing and actively offered advice on formulating a series of economic policies, including pricing policies, to be implemented after the special economic zone construction is complete.

#### The Special Economic Zone Price System Is Flexible and Open

The representatives pointed out that, because we are running a socialist special economic zone, its economic regulatory mechanisms should be different from foreign special economic zones (such as export processing zones, free trade zones, and free ports) and should be different from non-special domestic areas. The former are totally and automatically regulated by the market, while the latter uphold the principle of the planned economy being primary and market regulation being supplementary. And a socialist special economic zone should, under the direction of the plan, mainly foster the role of market regulation. In line with this, a completely established special economic zone (i.e., set apart from the interior areas, completion of the various regulations, economic development moving along on the right track and currency being standardized) should, under the direction of a plan, maintain a more flexible and open price system which has distinctive socialist characteristics. These characteristics are:

First, the pricing structure of the special economic zone is more flexible and open, and the pricing structure of the interior areas should no longer be applied. A unanimous opinion of the representatives was: the industrial and agricultural products handled by the special economic zone for export can completely adopt a free pricing structure, taking "the average unit of the universal labor force" as a basis and can flexibly fluctuate in accordance with the supply and demand of international marketplaces such as Hong Kong and Macao. Except for daily necessities which are of vital importance to the nation's economy and the people's livelihood and which, under conditions whereby a shortage of goods and materials still exists, should be supplied in a definite amount and at a guaranteed price (list price) for a set period of time, most industrial and agricultural products handled by the special economic zone to be marketed domestically should adopt a floating or free price structure in order to stimulate the economy and enliven the markets of the special economic zone.

Second, the special economic zone's price levels must have prior forecasts. The representatives at the conference felt that, in the fully constructed special economic zone, the price levels of industrial products marketed domestically should, under the direction of the plan, be close to or somewhat lower than the levels in the Hong Kong and Macao markets (among these: industrial products domestically produced that can be supplied for exports should have a Shenzhen sales price lower than the Hong Kong and Macao market prices; industrial products which are imported and will be marketed in Shenzhen need not be brought in through Hong Kong or Macao so that their sales prices are kept near, equivalent to or somewhat lower than those in the Hong Kong and Macao markets). The price levels of agricultural products should be lower than those in Hong Kong and Macao and higher than those in the interior areas of the country. Certain high grade consumer goods can be responsive to the industry and the marketplace and price levels for them can be set near those in the international market.

Third, jurisdiction over price controls should be suitably transferred to lower levels. The commodity pricing departments of the special economic zone should allow the industrial and commercial enterprises in the special economic zone to set prices autonomously for relatively large volume product varieties; and under the premise of a full understanding of the Hong Kong and Macao and other international markets, they should periodically establish (revise) a range within which relatively high prices can float, providing the necessary planned direction to the independent price setting by enterprises and concerned departments.

Fourth, in order to meet the requirements of the new pricing system of the special economic zone, we should provide comrades involved in special economic zone commodity pricing with training in economics, management, commodity pricing, management accounting, marketing management, foreign languages and other fields of studies, constantly raising the scientific standards of commodity price management.

[26 Mar 83 p 7]

[Text] Special Economic Zone Commodity Prices Should Still Remain Relatively Stable

Scholars in pricing feel that the rise and fall of commodity prices in a Chinese-style special economic zone should not cause a decline in the standard of living for the people in the special economic zone. Commodity prices in the special economic zone should still be held relatively stable. The relative stability of commodity prices should mainly be understood in terms of the following aspects:

First, relatively stable prices really does not mean that no prices of goods can be changed at all, allowing an unreasonable situation to persist for a long period of time. Whether or not a price is reasonable is mainly viewed in terms of whether or not it matches the value of the product (especially international prices--"the average unit of the universal labor force"). If a price is unreasonable, it should be raised or lowered according to needs. We should see to it that the general level of commodity prices maintains basic or relative stability by offsetting price rises and declines.

Secondly, relative stability in special economic zone commodity prices refers first to commodity prices relative to wages, maintaining a basic uniformity in the rise and fall in wages and commodity prices so that the standard of living of the people in the special economic zones does not decline; secondly, to a relative stability in comparing a given period (the comparison year) with the time when the special economic zone was opened or with the preceding year; and thirdly, to commodity prices relative to prices in Hong Kong and Macao, maintaining a relative stability.

Thirdly, within the scope of certain commercial goods, the special economic zone must guarantee that prices and volume of supply will be maintained for a period of time, which will undoubtedly make it possible to maintain relative commodity price stability.

In addition, some scholars feel that advancing the idea of relative price stability in commodity prices in the special economic zone is advantageous in stabilizing the people's livelihood in the special economic zone and in providing foreign investors with a favorable investment environment, offering great benefits to those both at home and abroad.

#### Creating Conditions to Promote the New System

The representatives at the symposium felt that the source of special economic zone price theory lies in the practice of the special zone economy and market and that the basic source lies in the scientific analysis of international market information. Only accurate price theory can accurately guide practice in the special economic zone markets. We are still in the initial stage of exploring what model is best for the price system to be adopted by the special economic zone, but we should use practice to test and verify models used. In order to make preparations for promoting a new, relatively flexible price system for the special economic zone, the representatives felt that we must coordinate the following conditions:



First, measures for setting the special economic zones apart from the interior areas of the country must be adopted as soon as possible, tested and accepted and put into effect. We must open more to the outside and maintain strict controls toward the interior areas (people from the interior areas entering and leaving the special economic zone). We must have a series of regulations regarding entry into and exit from the special economic zone (especially for personnel from the interior areas entering and exiting the special economic zone), which includes tax laws, and they must be continuously improved after being tested.

Secondly, the special economic zone must put forth every effort to gradually transform a sellers market formed over many years and in which purchasing power and the supply of commercial goods have been out of balance into a buyers market. This "effort" includes forcefully developing industrial and agricultural production in the special economic zone, expanding the procurement of marketable domestic and foreign products, making certain that goods and materials in the marketplace are plentiful and fully completing the transformation to a buyers market. And through working hard in the areas of product style and variety, quality and quantity, and favorable pricing, we should entice compatriots from Hong Kong and Macao, overseas Chinese and international friends to purchase products from the special economic zone or to take delivery in the special economic zone of goods purchased from the interior areas.

Further, the special economic zone, in handling items brought in or arranged for on its own, must take into consideration its own economic structural system which it has coordinated and developed to basically carry out smooth operations and to quicken the pace of production construction and economic development, making sure that economic development of the special economic zone moves along a road of healthy and coordinated development.

Further, currency must be standardized. Under the premise of comprehensive research of financial problems and of adopting realistic and feasible measures, we must issue a special economic zone currency and change the present situation whereby it is difficult to manage three currencies in circulation at the same time.

Finally, we must obtain close cooperation on the part of departments concerned with finances and banking, labor and wages, economic planning and judiciary and customs matters.

These recommendations by the representatives were viewed as extremely important by the comrades in charge of the Shenzhen special economic zone.

Frankly, the exploration of special economic zone price theory involved gathering ideas and seeking advice from all sides. But, we must await testing and experimentation in practice before we know just what sort of more flexible price system will be adopted when the construction of the special economic zone is complete. However, we can confirm that, among the characteristics of the future price system of the special economic zone, one is that it will embody a distinctive socialist character and be different from other special

economic zones; a second is that the special economic zone market will be more flexible and open than interior area markets; and a third is that it will take not harming, but rather benefiting the interests of foreign investors as its principle. Because of this, the fully completed special economic zone will certainly have a new model price system which will benefit both China and foreign countries.

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CS0: 4006/439

## HONG KONG MEDIA ON CHINA

### SHANDONG ACTIVELY SEEKS FOREIGN INVESTMENT

Hong Kong WEN WEI PO in Chinese 25 Mar 83 p 1

[Article: "Shandong Develops Petroleum, Coal and Chemical Industry, Welcomes Foreign Business Investment and Joint Management"]

[Text] When meeting with Wang Jiazhen [3769 1367 4394], WEN WEI PO's general manager and deputy managing editor, on 23 March, Xu Leijian [1776 7191 0256], Vice Governor of Shandong Province, said that Shandong Province would carry out relatively large scale technical reforms of petrochemical, coal and salt industries during the period of the sixth 5-year plan. In these projects, there are broad prospects for cooperation between Shandong Province and foreign investors. At the same time, Shandong will turn the Qingdao-Yantai area into a foreign trade and production base in order to increase supplies to the Hong Kong and Macao area. In the areas of communications and transport, the construction of a railway line from Jining which will pass through Heze and Xinxiang and link up with the Yenzhou-Shijiusuo Railway will begin this year, adding another east-west line that will aid in transporting coal out of Shanxi Province.

Xu Leijian said that one large project in the sixth 5-year plan is technical reform, which, in terms of Shandong, centers on bringing in foreign funds to carry out reform of the petrochemical, coal and salt industries. Shandong Province produces oil, coal and salt, but because present technology is relatively backward, the range of processing is narrow, many products are still at the initial product stage, and many chemical industries lack raw materials, plans for the next few years call for bringing in foreign funds to help these industries to carry out in-depth processing. Plans for introducing technology in these areas have already been incorporated into state plans and the stipulated funds and raw materials have already been ascertained. Therefore, we welcome foreign businessmen to visit Shandong to convene discussions.

In the area of foreign trade, last year Shandong exported 1.6 billion U.S. dollars worth of goods, of which more than 300 million dollars worth of products were supplied to Hong Kong. At present, Shandong has five ships directly transporting goods to Hong Kong and in the future it plans to add some oceangoing freighters.

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## BRIEFS

INDUSTRIAL EXPORT VALUE DECLINES--Taipei, 12 May (CNA)--The Republic of China's exports of industrial products totaled U.S. \$4.9 billion in the first quarter of this year, a decrease of U.S. \$114 million or 2.3 percent compared with that of last year, according to statistics released by the Industrial Development Bureau under the Ministry of Economic Affairs. Of the amount, the statistics say, exports of heavy industrial products in the first 3 months of this year reached U.S. \$2.08 billion, up U.S. \$45 million or 2.2 percent from a year ago, while exports of light industrial products came to U.S. \$2.8 billion, down U.S. \$160 million or 5.4 percent from that of the same quarter last year. Transportation equipment exports enjoyed the largest increase of any category at U.S. \$59 million, and exports of basic metals climbed by 34.2 percent during the January-March period, the statistics indicate. [Text] [Taipei CNA in English 0252 GMT 13 May 83 OW]

AGRICULTURAL PACT WITH URUGUAY--Taipei, 6 May (CNA)--The Executive Yuan Thursday approved a 2-year extension for the agricultural technical cooperation agreement with Uruguay. The agreement expired 15 July 1982 and will extend to 14 July 1984. Signed 10 August 1973, the agreement was extended four times before--July 1976, May 1979, December 1979, and March 1981. The Chinese agricultural technical assistance team's achievements in past years have won admiration from the Uruguayan people and government. Because of the team's positive contributions, the Uruguayan Government asked the Chinese Government to dispatch two more experts to improve the rice species in the South American country. [Text] [Taipei CNA in English 0302 GMT 6 May 83 OW]

SAUDI LOAN FOR SUBWAY--Taipei, 5 May (CNA)--Saudi Arabia will provide a loan of U.S. \$30 million for the Republic of China to build its underground railway in Taipei City. The Saudi Development Fund has approved the loan and notified this country about the matter. The loan will carry an interest rate of 0.05 percent and its expiry period is set for 20 years. [Text] [OW130445 Taipei CNA in English 1402 GMT 5 May 83]

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